RESULTS OF THE 2003 SMALL EMPLOYER FOCUS GROUP PROJECT

Prepared for:

STATE OF MARYLAND
DEPARTMENT OF HEALTH AND MENTAL HYGIENE
MARYLAND HEALTH CARE COMMISSION

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EXECUTIVE SUMMARY

Under the auspices of the Maryland State Planning Grant, the Maryland Health Care Commission (MHCC) and the Maryland Department of Health and Mental Hygiene (DHMH) contracted with Shugoll Research to conduct a series of focus groups with small employers and health insurance brokers in Maryland. The purposes of the research, the 2002 Small Employer Focus Group Project, are to: 1) identify and explore the characteristics of small employers who offer and do not offer health benefits and the factors that influence small employer decision making regarding employee health benefits; and 2) learn about positive and negative experiences of health insurance brokers when selling health plans to small employers. The research results will be used to gain insight into potential programmatic and regulatory changes that the State may consider for the small group market and to inform the development of options for expanding health coverage to Maryland's working uninsured.

A total of 12 focus groups with small employers were conducted. Initially, two pilot groups were conducted with small employers to pretest the moderator's guide and project logistics. Following the pretest, 10 focus groups were conducted with small employers that employ 2-50 full-time employees (working at least 30 hours per week) in five geographic regions of Maryland. These groups were split by size and by whether they offered health benefits. Seven groups were conducted with businesses employing 2-10 employees (two groups of businesses offering health benefits and five groups of businesses not offering health benefits). Three groups were conducted with businesses employing 11 to 50 employees; all of these groups offered health benefits. In addition, two focus groups were conducted with registered brokers and agents selling health insurance to small employers in Maryland.

Overall, this study found that there is a lack of detailed knowledge about health insurance among small employers in Maryland, particularly those employer groups with 2-10 employees who do not offer health benefits. For businesses with 2-10 employees, affordability, misperceptions about the insurance industry, and perceived administrative challenges were cited as common reasons for not offering health insurance. Small employers with 11-50 employees were more likely to offer health coverage than small employers with fewer (2-10) employees, and were also more likely to offer health benefits for specific business or philosophical reasons. Among both large and small employer groups, familiarity with Maryland's Comprehensive Standard Health Benefit Plan (CSHBP) and Small Group Market Reform was virtually non-existent.

Findings from the broker focus groups indicate that, when looking for a health plan, small businesses seek first and foremost a good price/value relationship. In addition, while brokers are aware of the Standard Plan (CSHBP) and Small Group Market Reform, they have negative impressions of the plan and typically do not market it to their clients. Despite reporting that Small Group Market Reform has increased access to health insurance, brokers

believe that it also has had the negative impact of limiting the number of carriers, thus reducing competition in the small group market.

Below is a summary of notable findings from the small employer and broker focus groups, followed by suggestions that the MHCC could consider in the future for the purpose of expanding participation in the small group market. **The findings and considerations are based solely on the results from this focus group study and the interpretation of those results by the moderator and project analyst. Because Shugoll Research does not have access to MHCC or DHMH planning documents, these findings and considerations may or may not reflect the views of the MHCC or DHMH.**

SMALL EMPLOYER FOCUS GROUP FINDINGS

Types of Companies Not Offering Health Benefits

- **Companies in certain types of industries are more likely than other types to not offer health benefits.** Small employers in industries that have primarily low-wage and young workers, are blue collar-oriented, have a greater proportion of employees who work a trade, have high employee turnover, are severely impacted by a weak economy, or are in such industries as retail and hospitality are more likely than other types of businesses to not offer health benefits. In addition, small employers with 10 or fewer employees appear more likely than small employers with 11 or more employees not to offer health benefits.

Reasons for Not Offering Health Benefits

- **Affordability is a major reason why small employers do not offer health benefits to their employees.** Affordability is also one of the greatest concerns of small employers currently offering a health benefit plan to employees. The cost of health care benefits and the need to control this cost are major reasons why small employers either do not offer or are reducing health benefits.

- **Lack of knowledge about health insurance and misperceptions and negative attitudes toward the insurance industry contribute significantly to small employer reluctance to shop for health benefits.** Many small employers with 2 to 10 employees who are not offering health benefits have almost no knowledge about the topic. They find that health insurance is difficult to understand, believe that offering health benefits would be too time-consuming, do not comprehend how it would benefit their business, and have a negative perception of the health insurance industry.

- **Philosophical beliefs about offering health insurance also contribute to employers' reluctance to offer health insurance.** Many small employers justify not offering health care benefits. They are concerned about employee morale if they have to reduce or cancel benefits in the future and they dislike having to deal with possible employee complaints about the benefits.

Factors Influencing Health Benefit Decision-Making

- **Employers offer health benefits for business and philosophical reasons.** Companies offering health benefits do so in large part to attract and retain good employees in competitive industries; their workers' skills are not easily replaced. Many also offer health insurance because they believe it is their social responsibility and is the "right thing to do." Additionally, small employers who offer a health benefit plan are more likely to employ the types of employees who demand or expect health benefits from an employer.

Cost-Sharing Arrangements, Preferred Delivery System Options and Benefits

- **A majority of small employers in the focus groups are amenable to paying at least 50 percent of an employee's health benefit premium.** Many of those who offer benefits currently pay 75 percent to 100 percent of the employee's premium.

- **When tested for preference of delivery system using the deductibles associated with the CSHBP, small employers chose the HMO delivery system over the PPO and POS options.** This is because of the relatively small differential in premium costs between the HMO, PPO and POS delivery system options, along with the absence of a deductible for the HMO option. The major factor that is driving a preference for the HMO option is the lack of deductible since employers emphasize that employees often complain when deductibles are implemented to reduce premium costs. However, during the general discussion, many employers expressed concern about the "gatekeeping" aspects of HMOs.

- **Some small employers, particularly some of the larger small employers (i.e., those with 11-50 employees), prefer a non-gatekeeper delivery system option such as the PPO.** These employers want to offer two or more delivery systems to give employees the opportunity to buy up for more choice and/or to reward senior managers.

- **From a list of benefits provided to respondents, those with a significant impact on the premium were reported as "need to have" by small employers. "Need to have" benefits included hospital inpatient and outpatient services, prescription drug coverage, diagnostic x-ray and lab services, physician services, maternity care and emergency room services.** Benefits considered "nice to have"

or unnecessary included home health care, mental health and substance abuse, chiropractic services, chlamydia screening and nursing home care.

Familiarity with Small Group Market Reform and the CSHBP

- **Familiarity with Small Group Market Reform and the CSHBP was poor.** Virtually none of the focus group participants were familiar with Small Group Market Reform, although some were aware of some of the protections associated with the reform. None of the participants were aware of the Standard Plan (CSHBP). However, some employers vaguely recalled their brokers presenting them with a "minimum plan" option.

Where Small Employers Find Health Benefit Information

- **Small employers rely on a variety of sources for health benefit information.** Sources include brokers, carriers, mass media, email, the Internet, colleagues, and trade associations.

- **The professional broker plays an important advisory role in the purchase process and servicing of health benefit plans.** Brokers in the focus groups often reported they advise clients to use discriminatory hiring practices or non-standard benefit distribution practices as ways to contain costs associated with providing health benefits. Brokers have significant concerns about the high cost of servicing the small employer market and, therefore, seem less likely to want to present health benefit plans to small employers.

Small Employer Familiarity with the MCHP Premium and MCHP Premium ESI Programs

- **There is virtually no awareness of these programs.** In principle, small employers believe the Maryland Children's Health Insurance Program (MCHP) Premium programs are a good idea. However, despite their positive receptivity to the programs in theory, small employers feel that: (1) the income range qualification for the programs is too narrow, eliminating most of their employees from being able to participate; and (2) the programs would be a drain on small employers since they would have to contribute at least 30 percent of a family premium, which is above and beyond what most small employers currently contribute, since not many pick up any costs for family coverage.

Reaction to a Theoretical State-Sponsored Health Benefit Solution

- **The 5 percent "pay or play" plan might be an effective program for reducing the number of uninsured or reducing the debt associated with uncompensated care.** There is some willingness on

the part of small employers not currently offering a health benefit plan to contribute 5 percent of their payroll to a fund. Others not willing to pay 5 percent may be motivated to offer an employer sponsored health plan. However, this solution might also create incentives for employers to not offer coverage, since 5 percent may be substantially lower than what some employers are now paying.

BROKER FOCUS GROUP FINDINGS

Perceptions of Maryland Small Employer Needs for Health Benefits

- **A good price/value relationship was reported as the most important feature for which small businesses are looking in a health plan.** The cost of the monthly premium largely drives plan decision-making by employers.

- **Brokers say that employers are always looking for ways to lower the cost of the premium and, in some cases, are willing to consider more innovative ways to do this.** Some brokers say a few small business clients are willing to absorb the cost of employee deductibles, if needed, in order to get a lower premium. They are willing to risk those potential costs but hope that their employees do not get sick.

- **Most brokers say that employers are reluctant to consider plans that call for a high deductible in order to obtain a lower premium even if they would like to be able to offer this type of plan.** Employees want plans with immediate "first-dollar" coverage and a low co-pay, and would not accept a high deductible plan.

- **Many brokers say that neither employers nor their employees like HMOs.** They want greater flexibility in using health care than what is offered by an HMO. Nevertheless, because they perceive that costs are so high for PPOs and other more flexible plans, companies are forced to choose HMOs to cover most of their employees.

How Brokers Service the Small Business Market

- **Brokers typically provide a number of services to their clients.** These services focus primarily on information, education, and customer service. These include researching the competition, developing presentations of alternative plan choices based on employer needs, providing general information about health insurance on an ongoing basis, and assisting with many of the administrative aspects of the plan for their clients.

Broker Familiarity with Small Group Market Reform and the CSHBP

- **Brokers are aware of Small Group Market Reform.** While brokers believe that Small Group Market Reform has improved access to health insurance, they also reported that it has had a negative impact on the insurance industry over the long term because they have perceived it to have limited the number of carriers and reduced competition in the market.

- **Brokers are aware of the CSHBP, but they have a very negative impression of the plan.** Most brokers find the plan to have deductibles that are higher than employers want and do not sell it to their clients. They report that employers have little incentive to choose the CSHBP because the cost differential between the Standard Plan and enhanced plans with lower deductibles and copays is negligible.

Broker Familiarity with the MCHP Premium ESI Program

- **None of the brokers were aware of this program.** While they were aware of MCHP, the brokers did not have knowledge of the MCHP Premium ESI Program and were confused about how it works.

CONSIDERATIONS

Targeting Efforts to Increase Coverage at Small Employers Who Do Not Offer Health Benefits

- The MHCC should review existing quantitative research to validate study hypotheses regarding the types of small employers who are less likely to provide health benefits.

- Specifically, the MHCC may want to focus on small employers: (1) with 10 or fewer employees; (2) in industries with high employee turnover; and (3) that are blue collar-oriented who have a greater proportion of employees who work a "trade" or are in industries such as retail and hospitality.

Affordability of Health Benefits

- The MHCC, in conjunction with health care analysts, legislators, insurance carriers, professional brokers and representatives from the small business community, should try to identify alternative cost containment strategies that could be implemented by small employers to reduce and/or slow the rising cost of health care benefit plans.

  Some possible strategies might include providing: (1) guidelines or "best practices" for employer-employee premium sharing arrangements; (2) guidelines or "best practices" for co-pay and deductible

arrangements; and (3) guidelines for employers who choose higher deductible plans to control premium costs and who want to cover those employee deductibles in order to minimize employee complaints about reduced benefits (i.e., increased deductibles)

Once such alternative strategies are developed, the MHCC should promote them on its website and communicate them to employers, brokers and local business groups/associations that represent industries with a higher proportion of companies not offering health benefits.

Lack of Knowledge and Misperception

- The MHCC should determine the feasibility of launching an employer education program to educate small employers about health benefits. This includes providing consumer-friendly educational material on its website since small employers and brokers use the Internet to gather information on health benefits. Further research is needed to determine the viability of providing marketing information through the MHCC's website.

- Broader distribution of Maryland's CSHBP brochure for small business is needed. The MHCC should evaluate the feasibility of mailing the brochure to small employers, possibly along with other State forms, and should make it available through local Chambers of Commerce, other local business associations and brokers.

Motivating Small Employers to Offer Health Benefits

- The MHCC should launch an employee education program in conjunction with an employer education program to increase current and potential employees' knowledge about health benefits so as to encourage them to be active participants in the health insurance system.

- Once the MHCC re-evaluates the benefits in the CSHBP, it should work with brokers to gain their cooperation in presenting and promoting the standard plan to small employers. The State should also inform brokers about some of its other programs (e.g., MCHP Premium Program), since brokers are a major source of information for small employers.

- If possible, the MHCC should work with brokers and carriers to address their concerns about the high cost of servicing the small employer market since this issue is likely to drive more and more brokers away from presenting health benefit plans to small employers.

Cost Sharing Guidelines

- The MHCC might suggest cost sharing guidelines in its education materials. For example, a guideline that small employers consider 50 percent as a starting point or "minimum" for premium cost sharing as many small employers seem amenable to paying at least 50 percent of an employee's health benefit premium.

Benefit Preferences

- The MHCC might re-evaluate the level of benefits it provides in the CSHBP for the services deemed by employers as "nice to have" or unnecessary (NOTE: All benefits that were supported as "need to have" have a significant impact on premium).

Awareness of Small Group Market Reform, CSHBP and MCHP Premium Programs

- In order to value the benefits of Small Group Market Reform, small employers must be made aware of the protections provided by the legislation, such as guaranteed issue, guaranteed renewal and the prohibition of pre-existing condition limitations. In addition, small employers need to be made aware of CSHBP, MCHP Premium and the MCHP Premium Employer Sponsored Insurance (ESI) Option Employee Buy-In, so they have the opportunity to assess the appropriateness of these programs for their companies Programs (NOTE: Budget legislation enacted during the 2003 Maryland legislative session eliminated the MCHP Premium ESI Program as of July 1, 2003).

Carrier Competition

- The MHCC should communicate to brokers, employers and policymakers that a lack of competition among insurance carriers in the Maryland small group market is a national problem and is not specifically associated with Maryland's Small Group Market Reform.

Assessment of What the MHCC Can Do to Improve Health Coverage Among Very Small Employers

- The State may be able to design a voluntary program that addresses one specific issue or barrier faced by these very small employers. However, the State will probably never be able to address multiple barriers simultaneously using voluntary incentives in order to increase employer offer rates or employee take-up rates for this group of employers.

  Therefore, the State may need to consider government regulation and significant premium support if it wants to see a substantial increase in the number of very small employers offering health benefits.

1.0 OVERVIEW

1.1 Background and Purpose

The Maryland small group health insurance market consists of businesses with two to 50 employees and the self-employed. Under Maryland law, the only benefits package that can be sold in this market is the Comprehensive Standard Health Benefit Plan (CSHBP) whose benefits are determined annually by the Maryland Health Care Commission. While the State's small group market reform effort has been successful relative to such programs in other states, significant problems remain. For example, greater understanding of why program enrollment is no longer growing and, in fact, has experienced a slight decline recently in the number of covered lives and employer groups is critical if Maryland is to reverse this trend. By conducting focus groups with both participating and non-participating employers, the State hopes to gain insight into potential programmatic and regulatory changes that will allow better retention of participating employers and reverse the program's recent declines. A 2001 legislatively-required study that assessed the performance of the small group market health insurance reforms noted that expanding employer offer rates beyond the program's current 57 percent by altering the benefits package and/or premium costs would be difficult and likely fruitless because of the extreme price inelasticity of this insurance market.[1] Instead, the report recommends that the State investigate ways to better market and inform potential employers about the program.

Under the auspices of the Maryland State Planning Grant, the Maryland Health Care Commission (MHCC) and the Maryland Department of Health and Mental Hygiene (DHMH) contracted with Shugoll Research to conduct a series of focus groups with small employers and health insurance brokers in Maryland. The purposes of the research, referred to as the "2003 Small Employer Focus Group Project," are to identify and explore factors that influence small employer decision making regarding employee health benefits and learn about positive and negative experiences of health insurance brokers when selling health plans to small employers.

The research will be used to gain insight into potential programmatic and regulatory changes that the State may consider for the small group market and to inform the development of options for expanding health coverage to Maryland's working uninsured. The research will also be used as input into program planning to develop strategies to better meet the health benefits needs of small employers and their employees and determine how best to market Maryland's Comprehensive Standard Health Benefit Plan (CSHBP) to increase use of the program. The research also will be used to identify issues surrounding employer participation in the Maryland Children's Health Program's (MCHP) Premium Employer Sponsored Insurance (ESI) option. (NOTE: Budget legislation

[1] Wicks, Elliot K., Ph.D., Assessment of the Performance of Small-Group Health Insurance Market Reforms in Maryland, Health Management Associates. February 19, 2002.

enacted during the 2003 Maryland legislative session eliminated the MCHP Premium ESI Program as of July 1, 2003).

As part of this project, two pilot mini–group sessions were conducted on January 7, 2003 with small employers from the Maryland suburbs of Washington, DC to pretest the moderator's topic guide and the recruitment criteria/logistics for the project. The results of these sessions were reported to the MHCC in a memo dated February 27, 2003 and were used to finalize the recruitment screener and moderator's topic guide for the follow-up series of focus groups with small employers.

This report presents the findings of the focus groups with small employers and health insurance brokers. The study was conducted in geographically diverse markets throughout the State of Maryland.

1.2 Objectives

The objectives of the focus groups with **small employers** are as follows:

- Explore the profile of small businesses less likely to offer health benefits
- Identify obstacles and concerns preventing Maryland small employers from providing health benefits
- Identify motivations for small employers to offer health benefits
- Understand the health benefit plan practices of small employer
- Explore familiarity with Maryland's Small Group Market Reform[2] and Maryland's Comprehensive Standard Health Benefit Plan (CSHBP)
- Identify health benefit information sources for small employers
- Obtain interest in benefit structures and cost-sharing arrangements
- Obtain top-of-mind reactions to state-sponsored solutions for reducing the numbers of uninsured
- Explore the attractiveness of the MHCP Premium Employer Sponsored (ESI) Options

The objectives of the focus groups with **health insurance brokers** are as follows:

- Determine broker perceptions of Maryland small employer needs for health benefits
- Examine how brokers service the Maryland small business market
- Assess awareness and knowledge of Small Group Market Reform and the CSHBP
- Determine awareness and knowledge of the MCHP Premium ESI Program

[2] In 1993, the Maryland legislature passed the *Health Care and Insurance Reform Act.* This law guarantees small businesses access to health insurance, helps to stabilize their health insurance premiums and establishes essential consumer protections.

1.3 Methodology and Study Procedures

A total of 12 focus groups were conducted to meet the objectives of the study. Ten groups were conducted with small employers in five geographic regions of Maryland and two groups were conducted with registered brokers and agents selling health insurance to small employers in Maryland.

A focus group is a panel discussion with eight to ten representatives of a selected target market for a particular service or product. The technique is especially useful for gathering in-depth information on a topic or reactions to service or benefits concepts. The discussion is led by a moderator who is trained in consumer behavior theories and marketing principles. Participants in the group are encouraged to relate to each other, share attitudes and provide candid opinions regarding the topics presented to them by the moderator or generated by the dynamics of the group. Consensus is not sought. The moderator is not supposed to proselytize or educate respondents. Rather, he or she uses his or her skills to question, probe and clarify responses as well as direct the flow of the conversation to cover all relevant areas of interest to the client.

Small Employer Groups

For purposes of this research, small employers are defined in the same way they are defined in Maryland's legislation pertaining to small group market reform, namely as businesses employing two to 50 full-time employees. The original project design called for the groups to be split by size and by employers offering and not offering health care benefits to their employees. The following plan was initially developed:

	Offer Health Benefits	Do Not Offer Health Benefits
Businesses with 2 – 10 employees	2 groups	3 groups
Businesses with 11 – 50 employees	3 groups	2 groups

During the recruitment process, it became evident that the incidence of small businesses with 11 to 50 employees that do not offer health benefits is low. Therefore, it was not feasible to find enough small businesses this size in any one market to form two groups. In both locations in which these groups were to be conducted (Washington, DC -Maryland suburbs and Frederick, MD), no small businesses were located meeting these criteria. This experience conforms to recent national statistics, which indicate that about 85 percent of all small businesses not offering health benefits to their employees have fewer than 10 employees.

As a result, the MHCC made the decision to revise the study design so that all focus groups with businesses not offering health benefits be conducted with companies having fewer than 11 employees. In the final design, a total of seven focus groups were conducted with businesses having two to 10 employees (two groups with those

offering health benefits and five groups with those not offering health benefits). The remaining three employer focus groups were conducted with businesses having 11 to 50 employees, all offering health benefits. (See Appendix A)

The following focus group design and schedule was followed for the study:

DATE	LOCATION	COMPANY SIZE	TYPE OF GROUP
January 28, 2003	Washington, DC, MD Suburbs (Bethesda)	Employers w/ 2-10 employees (1 group)	Offer health benefits
		Employers w/ 2 – 10 employees (1 group)	No health benefits
January 29, 2003	Baltimore Metro Area	Employers w/ 11 – 50 employees (1 group)	Offer health benefits
		Employers w/ 2 – 10 employees (1 group)	No health benefits
February 3, 2003	Frederick (Western MD)	Employers w/ 2-10 employees (1 group)	Offer health benefits
		Employers w/ 2-10 employees (1 group)	No health benefits
February 5, 2003	Salisbury (Eastern MD)	Employers w/ 2-10 employees (1 group)	No health benefits
		Employers w/ 11 – 50 employees (1 group)	Offer health benefits
February 12, 2003	La Plata (Southern MD)	Employers w/ 2-10 employees (1 group)	No health benefits
		Employers w/ 11 – 50 employees (1 group)	Offer health benefits

In each location, the groups were conducted at 6 pm and 8 pm on the dates presented above. In Bethesda and Baltimore, the groups were conducted in specially equipped focus group facilities. Each facility has state-of-the-art operations and equipment including focus group suites each with a one-way mirror, client observation room, audiotaping and videotaping equipment and Internet access.

In the other markets (Frederick, Salisbury and La Plata), focus group facilities are not available. Therefore, the groups in these locations were conducted in conference rooms at hotels and colleges as follows:

Frederick, MD →	Courtyard by Marriott
Salisbury, MD →	Ramada Inn and Conference Center
La Plata, MD →	College of Southern Maryland Conference Center

These sites are centrally located and well-known to business owners/executives. At each site, two rooms were available for the groups, one room with a conference table and chairs for conducting the groups and an adjacent room for representatives of the MHCC and DHMH who were able to observe the focus groups via a closed-circuit television arrangement. Shugoll Research contracted with each facility and supervised the logistics for the focus groups.

Shugoll Research designed a recruitment screener (see Appendix B) to screen and qualify participants. In order to qualify for participation in any group with small employers, respondents had to meet the following criteria:

- Be the sole decision maker for selecting health plans, one of a group of people making the decision or one of a group of people making recommendations to the final decision maker
- Be employed full-time (work at least 30 hours per week)
- Be employed by a company that makes its own benefit decisions
- Have between 2 and 50 full-time employees (who work at least 30 hours per week)
- Work for a company that has been in business for 3 or more years
- Work for a company located in Maryland
- Work for a company whose workers are not mainly independent contractors
- Work for a company whose workers are not highly compensated (the majority receiving above average salaries)

- Be articulate when asked to express opinions in a group setting

In addition, respondents in the groups of small employers who do not offer health benefits could not have offered a health plan within the last 10 years, and must have been willing to at least consider offering health care benefits to their employees in the future. Respondents in the groups with small employers offering health benefits could not be self-insured.

A mix of respondents by industry, years their company has been in business, company location, ethnicity, gender and years that the respondent has been in a decision making position was sought for each group. For the groups with small employers offering health benefits, a mix was recruited by health plan carrier used and by whether or not the company used a professional broker.

Respondents who were employed or who have a family member employed in an advertising, public relations or market research firm, a health insurance company or any type of health care company such as a hospital, doctor's office or urgent care center were terminated for occupational security reasons. Respondents who had participated in a group discussion within the past 6 months, or had ever participated in one related to health care coverage or health plans, were prohibited from study participation.

Broker Groups

Two focus groups were conducted with registered insurance brokers and agents who sell health insurance plans to small businesses in Maryland. One group was conducted on January 28, 2003 at 12 PM in the Washington, D.C.-Maryland suburbs (Bethesda) and the second group was conducted on January 29, 2003 at 12 PM in Baltimore. Both sessions were held in focus group facilities.

Shugoll Research designed a recruitment screener (see Appendix B) to screen and qualify participants. In order to qualify for participation in the groups with health insurance brokers, respondents had to meet the following criteria:

- Be personally responsible for representing or selling health care plans to employers with 50 or fewer full-time employees

- Have at least 30 percent of their health insurance book of business with small businesses located in Maryland that have 50 or fewer full-time employees

- Represent or sell health care plans to area small employers for 2 or more years

- Not represent self-insured plans, that is, plans where businesses fund health care costs themselves

A mix of respondents by gender and years representing or selling health care plans was sought for each focus group.

Recruitment Procedures

Small employers in the Washington, D.C. and Baltimore areas were recruited using a combination of purchased lists and computerized data banks maintained by the focus group facilities. Brokers were recruited solely from the focus group facility data banks. The data banks can identify people based on occupation and other demographic characteristics. Recruiting for the groups in Bethesda and Baltimore was conducted by professional recruiters employed by each focus group facility. Respondents for the small employer groups conducted in Frederick, Salisbury and La Plata were recruited by Shugoll Research using purchased lists.

Lists for recruiting purposes were purchased by Shugoll Research from a commercial list provider that compiles lists of businesses from Yellow Pages-based sources. Lists were drawn by county in Maryland and by company size (2-10 employees and 11-50 employees). All industry types were represented on the lists. The company names were drawn randomly by region from the master database maintained by the commercial list provider. Each record included the name, address and telephone number of the company, all contact names/titles available (including president, CEO and human resources professional, if available), number of employees, branch or franchise location of a larger company and industry SIC code/Yellow Pages heading.

Once a potential respondent was screened and it was determined that he or she qualified, a cash honorarium was offered to encourage participation in the study and to encourage prospective respondents to show up for their assigned focus group session. When a respondent agreed to participate in one of the group sessions, a confirmation letter was sent to that respondent. The letter confirmed the group session time, date, location and promised honorarium, and provided detailed directions to the location where the group was being held. All respondents were reconfirmed by telephone the day before their focus group session.

Moderating and Tape Transcription

Shugoll Research designed three topic guides (see Appendix C) to be used by the focus group moderator when leading the discussion groups. Two guides were developed for the small employer groups (one for employers offering health benefits and one for those not offering health benefits) and another guide was developed for the broker groups. The guides were designed to meet the study objectives for each respondent segment.

Each focus group conducted at the focus group facilities in Bethesda and Baltimore was audiotaped and the groups in Bethesda were stationary videotaped. Shugoll Research provided audiotaping and videotaping equipment and personnel to tape the groups conducted at the hotels and college conference center in Frederick, Salisbury and La Plata. Representatives of the MHCC observed all groups.

Shugoll Research transcribed the results of all focus groups from the audiotapes of the sessions. Copies of the transcripts were submitted to the MHCC at the conclusion of the focus groups.

1.4 Limitations of Qualitative Research

Focus groups are a qualitative research methodology. The technique seeks to develop directions rather than quantitatively precise or absolute measures. Because of the limited number of respondents involved in this type of research, the study should be regarded as exploratory in nature, and the results used to generate hypotheses for marketing decision making and further testing. The non-statistical nature of qualitative research means the results cannot be generalized to the population under study with a known level of statistical precision.

2.0 SUMMARY OF FINDINGS: FOCUS GROUPS WITH SMALL EMPLOYERS

2.1 What Types of Small Businesses Are Less Likely to Offer Health Insurance?

While quantitative research is needed to definitively profile small employers who are less inclined to offer health benefits, this qualitative study identifies some hypotheses regarding the characteristics of these employers. It is worth noting that many small employers who do not offer health benefits also do not offer other benefits such as retirement plans, paid vacation time, etc. Small employers who do not offer a health benefit plan:

- Tend to be businesses with high employee turnover (i.e., restaurants, construction).

> *"It's kind of a transient business. People come in and out." (2-10 Employees Not Offering Health Benefits – Bethesda)*
>
> *"But the turnover also in the hospitality business is so great that you'd be putting them on and taking them off [insurance coverage] all the time." (2-10 Employees Not Offering Health Benefits – Frederick)*

- Are more likely to have 10 or fewer employees.

- Employ greater numbers of employees who work a "trade" than employees who are professional and seem to be concentrated in industries such as construction and other blue collar jobs and retail (e.g., beauty salons, travel agencies, florists, auto shops, restaurants, etc.).

> *"Employees in blue collar come and go every day. [If we offered benefits], the company would be eating a lot of it [the cost of insurance premiums]." (2-10 Employees Not offering Health Benefits – La Plata)*
>
> *"One of the things we find for our company, being in the construction business, the workers don't always stay around, even if they are full-time, even if the benefits are there. They still tend to not stick around, so you're constantly getting them into a program and then having to back them out." (2-10 Employees Not Offering Health Benefits – Frederick)*

- Tend to be in industries that have been particularly hard hit by the downturn in the economy and are operating on low profit margins.

- Pay a greater proportion of employees by the hour (versus salaried employees).

- Tend to have employees who live paycheck to paycheck or who are low wage earners.

> *"They're probably living paycheck to paycheck. No matter what their wage rate is, they're living paycheck to paycheck." (11-50 Employees Offering Health Benefits – Baltimore)*

- Tend to employ members of their family.

- Tend to attract employees who do not demand health benefits.

- Employ a greater proportion of young employees, particularly young males in their early 20's.

> *"I'll pay half for the guys. They don't want to pay. They would rather drink beer on Friday night than spend $50 on health insurance." (2-10 Employees Not Offering Health Benefits – Bethesda)*
>
> *"If you have young employees, they don't care. Most young men don't want to pay for it [health benefits]." (2-10 Employees Offering Health Benefits – Bethesda)*

- Employ married individuals whose spouses have health insurance.

> *"A lot of my employees, most of them, are married women covered by spouses." (2-10 Employees Not Offering Health Benefits – Frederick)*

- Employ a high proportion of part-time or seasonal employees.

2.2 Why Don't Maryland Small Employers Offer Health Insurance?

There are a myriad of reasons why some small employers do not offer health benefits to their employees. The reasons are both practical and philosophical in nature, and are similar among small employers who offer health benefits and small employers who do not offer health benefits.

Financial Reasons

- A major reason for not offering health benefits to employees is lack of financial means. The precarious financial status of a company is due to:

  - The business being relatively new, fledgling or a start-up without any excess capital or currently operating on very tight margins

  - The weak economy and the fact that small companies in certain industries are experiencing the downturn more strongly than others

  - The seasonal nature of the business; therefore, its number of staff, revenues and profitability fluctuate significantly during the year

> *"Dollars and cents; money. I know I can't afford it. It's touch and go with my business." (2-10 Employees Not Offering Health Benefits – Frederick)*
>
> *"A lot of companies can't afford it." (11-50 Employees Offering Health Benefits – Salisbury)*
>
> *"I can say it in two words, the lottery. It has to be very affordable or I have to win the lottery." (2-10 Employees Not Offering Health Benefits – Bethesda)*
>
> *"I mean the economy here is in the toilet, especially for my industry. I mean print shops and printers are going out of business left and right, big time." (2-10 Employees Not Offering Health Benefits – Bethesda)*
>
> *"The business fluctuates from month to month. This month, yeah it's Valentine's Day and I might have that kind of money. Easter, maybe. Mother's Day, yeah. And that's the nature of the business." (2-10 Employees Not Offering Health Benefits – Frederick)*

- The belief that implementing a health benefit plan will require extra work on the part of small employers who often are stretched thin by their many responsibilities is also a deterrent to offering

health benefits. Small employers especially fear having to hire additional personnel just to administer the plan, as well as having employees blame them for errors or problems that arise when they use their health benefits.

> *"In my case you'd almost have to hire someone at least part time to be a benefits coordinator. They [employees] are coming and going, 'Can I do that?'" (2-10 Employees Not Offering Health Benefits – Frederick)*
>
> *"You would need to have your own accountant that handles [these things]. I do everything myself." (2-10 Employees Not Offering Health Benefits - La Plata)*
>
> *"Larger companies have a person who is in charge of handling this [health benefits] full time. As a small businesswoman, the paperwork would be astronomical." (2-10 Employees Not offering Health Benefits - Baltimore)*

- Health benefit plan premiums are perceived as extremely expensive and unaffordable. In addition, health benefit plan premiums are seen as unpredictable and rising at a significant rate every year.

> *"I guess the biggest thing that I run into is the rising cost. At what point do you tell an employee, 'Look, we can't cover the whole thing any more?' And then you have to deal with them believing that it is an entitlement to them." (2-10 Employees Not Offering Health Benefits – Frederick)*
>
> *"You think, 'Oh, God, there is no end in sight'. [Costs are] going to go up another 20 percent next year, and the next year." (11-50 Employees Offering Health Benefits – Baltimore)*
>
> *"Our costs went up. It costs us $17,000 more a year." (11-50 Employees Offering Health Benefits – Salisbury)*
>
> *"You never know what the price increase will be from year to year, so it is very hard to budget for it." (2-10 Employees Not Offering Health Benefits – Bethesda)*

- Employers who offer health benefits agree strongly with those who do not offer a health benefit plan that spiraling premium costs are becoming increasingly burdensome. However, they are stymied as to the solution. In fact, small businesses are reluctant to change their plan benefits fearing that any number of cost controlling strategies might precipitate an employee morale problem. Specifically, small employers are wary of having to:

- Raise co-pays
- Raise deductibles
- Introduce a deductible for the pharmacy benefit
- Increase employee contributions

- Some small employers are trying to solve the problem of increasing costs by:
  - Covering employee deductibles that they reluctantly institute to lower premium costs, and providing incentives to employees who do not use their benefits (such as additional money in their paychecks for every month that they do not use the benefits)

> *"We went to $2,500 deductibles, so that our premiums would be lower. We said, 'If somebody has any problems, then the company will pay for that deductible'." (2-10 Employees Offering Health Benefits – Frederick)*

  - Providing cash incentives for employees to go with their spouse's health benefit plan

> *"We incent the employees. If their wife has coverage, working somewhere else, we will give them money for not being on our plan." (11-50 Employees Offering Health Benefits – Salisbury)*

Lack of Knowledge and Misperceptions

- Small employers may not offer a small group health benefit plan simply because they lack the knowledge about what to offer, where to buy a plan, how to buy a plan or even if they qualify for a plan (i.e., how many employees must they have to constitute a small group?). Frequently, small employers do not know what questions to ask to get the information they need to make an informed decision. The process of shopping for and purchasing health insurance is considered intimidating at best.

> *"The only reason I don't offer benefits is because I don't understand how to do it. I'm not sure what to offer." (2-10 Employees Not Offering Health Benefits – Bethesda)*

"There are still a million and one unanswered questions. And, I still feel like I don't have what I need to make a decision." (2-10 Employees Not Offering Health Benefits – Bethesda)

"I stopped researching [health insurance] about 3 years ago. I just couldn't find anybody to give me specific answers in English. They [carriers] speak to you in a legal term or a rehearsed sales pitch." (2-10 Employees Not Offering Health Benefits – La Plata)

"What constitutes a group? Two, to me, would be good. If I could just get something, actually it would make me sleep easier." (2-10 Employees Not Offering Health Benefits – Frederick)

- There are many misperceptions about how premium rates are established by carriers in Maryland. Some of the misperceptions discourage small employers from even looking into small group benefits. The misperceptions demonstrate how little small employers (even those who offer health benefits) know about Maryland's Small Group Market Reform and how easy it is for them to confuse group benefit plans with individual policies. Many believe the following:

  - Health status impacts premium rates and the ability to get/maintain health benefits

  - The age of an individual employee rather than the average age of plan participants could affect premium rates

  - Use of the plan affects rates (i.e., a carrier evaluates the number of claims submitted each year and sets the company's renewal premium rate based on that factor)

  - Heavy users of a plan can be denied renewal

  - Brokers will charge a significant premium over and above the carrier's rate to work on an employer's behalf

"When you do go to a plan, if any of your employees have any existing health things going on, it's over the roof. It [cost of premiums] goes sky high." (2-10 Employees Not Offering Health Benefits – Baltimore)

"I got a letter [from my carrier]. It gave me a percentage of usage, incidences. And I'm sure that has to factor into it [premium costs]. If you have an older group, you are going to have more usage of the plans." (11-50 Employees Offering Health Benefits – Salisbury)

"They know how many people have this type of disease, or that type of disease, that are putting claims in every year. And that affects your rates." (2-10 Employees Offering Health Benefits – Frederick)

"Some of them [insurance carriers] ask you if you have any type of health problems." (2-10 Employees Not Offering Health Benefits – La Plata)

Skepticism About the Health Insurance Industry

- The health insurance industry suffers from a very negative reputation. Small employers are extremely skeptical and cynical about the industry. Therefore, some small employers avoid the purchase process, while those who offer benefits report that they "dread" renewal time each and every year. Small employers believe:
  - Insurance terms are difficult to understand
  - Their coverage is hard to understand/confusing and too complex
  - Insurance carriers purposely make it difficult for them to comparison shop
  - Insurance companies want to achieve high margins and price their products accordingly
  - Insurance companies frequently deny coverage/claims
  - Brokers only represent certain carriers or are biased and only present plans for which they will receive more commission

"I'd like to learn more as long as they made it not legalese, but English. Simplify it as much as possible and I would do it." (2-10 Employees Not Offering Health Benefits – Bethesda)

"It's difficult to shop. The benefits vary a little bit; the deductibles can vary tremendously. There are so many choices to be made, and every choice will vary the premium. This is a dreaded time of year when you have to renew." (11-50 Employees Offering Health Benefits – Salisbury)

"The problem is with the insurance companies. They are the ones that want to continue with outrageously high margins of profit. And when it doesn't happen, they take off." (11-50 Employees Offering Health Benefits – Salisbury)

"I had to call and sit on the phone with them for a half hour to explain the difference to me between and HMO and a PPO. I just cannot get it." (2-10 Employees Not Offering Health Benefits – Bethesda)

- Overall, health insurance is perceived as a poor value. Small employers strongly resent paying premiums each month and then not having their own or their employees' care covered 100 percent. Being denied coverage, even if it is not a covered benefit, makes them even angrier.

"There is no value [to health insurance]. They cover only a portion. And you are still left with a hefty bill [for health care]." (2-10 Employees Not Offering Health Benefits – La Plata)

"So I would pay $800 -$900 a month to a company thinking that you have insurance. But when you have a problem in the hospital that they call major medical, then they don't even pay your bill." (2-10 Employees Not Offering Health Benefits – Salisbury)

Philosophical Beliefs

- Small employers hesitate to provide health benefits because they are worried about employee morale if and when business concerns dictate having to reduce benefits or take them away completely. Therefore, for some employers it is easier and simpler not to "get involved" with offering a health benefit plan. Some small employers also feel their employees are more appreciative when the cash equivalent is provided to them ostensibly to purchase their own health plan if wanted.

"One thing is that once you start something it's hard to take away benefits. It's very hard to take away something." (2-10 Employees Offering Health Benefits – Frederick)

"For many years we didn't have insurance, and then we gave them insurance, and then we gave them prescription cards, and I couldn't take the prescription cards away. One year I made the deductible $150, and I thought they were going to lynch me when the new cards came out." (2-10 Employees Offering Health Benefits – Frederick)

"Most of my employees, after they've had health insurance for two or six months and haven't used it, they would say, 'Hey, if I dropped the health insurance can I get an extra $150 a month on my paycheck? Why don't you give me a raise instead of giving me health insurance?'" (2-10 Employees Not Offering Health Benefits – Frederick)

- Some small employers are concerned that offering a health benefit plan opens up a Pandora's Box of complaints from employees. They fear employee complaints about the quality of the plan, claims being denied, or because an employee misunderstands a benefit. Small employers insist they do not have the time or knowledge to go to battle with the carrier on behalf of their employees.

> "*Employees might complain about it. There are always problems with insurance. They think somehow it is your problem. [Employees] are going to look at me like this is a terrible insurance plan." (2-10 Employees Not Offering Benefits – Bethesda)*
>
> "*If you mess up and don't send something in on time, and they go to the hospital for something, they're going to come back on you and say, 'Well, I should have had my health insurance in effect. It's your fault'." (2-10 Employees Not Offering Health Benefits – Frederick)*

- Some small employers, even those who are offering health benefits, do not understand how or when it became the "employer's responsibility" to provide health benefits to employees. There is the belief by some that health benefits should be the responsibility of each individual and not the responsibility of business.

> "*[I don't know] when this idea came out that employers would supply health care. The problem is that we are the employer, and we are the bottom of the totem pole. It could be done differently." (2-10 Employees Not Offering Health Benefits – Baltimore)*
>
> "*Just as you have to have insurance if you drive a car, why should it be an employer's responsibility? If you're thinking everybody should have insurance, why not make it an individual responsibility, instead of looking to the employer to provide that?" (11-50 Employees Offering Health Benefits – Baltimore)*

- Some small employers do not believe that health insurance is a necessity for young people. In fact, they often see the purchase as a poor value because young people are not likely to use the benefits. Their beliefs are often validated when their young employees do not request health insurance or are less likely to participate in a plan if one is offered. Employers say that their young employees would rather have the dollars in their paycheck than the benefit plan.

> "*The apathy is caused because we're talking about relatively young people that don't get sick that often, and wouldn't be covered by too many things like this. So they don't feel the need for it." (2-10 Employees Not Offering Health Benefits – Frederick)*

> *"Especially if they are young and they think that they are invincible. [They say] 'I don't want to pay $25 a week, because I would never use that'." (2-10 Employees Not Offering Health Benefits – Salisbury)*

- Small employers are often informed or discover for themselves that it is less expensive to purchase an individual health policy than a group policy if the subscriber is healthy. However, small employers who buy individual policies become outraged when their premium rates skyrocket or their renewal is denied once a health problem arises.

> *"I found that if you went with an individual plan and just paid your employees extra and let them get their own individual plans, it was cheaper. It is much cheaper to get an individual plan." (2-10 Employees Offering Health Benefits – Baltimore)*

- A few small employers, again even those who offer benefits, express frustration that present day health plans include extensive preventative care or coverage for everyday health services and would prefer a major medical plan only. These study participants believe that premiums are high because the plans include a broad variety of benefits that are considered standard.

> *"Personally, I look at what is insurance for, for catastrophes, something major. That's what you want it for. Not going to the doctor every other week with a runny nose." (2-10 Employees Offering Health Benefits – Frederick)*

2.3 What Motivates Small Employers to Offer Health Benefits?

The reasons some small employers offer health benefits to employees can be classified into two major categories: business/practical reasons and philosophical reasons. The philosophical reasons clearly differentiate the employers who offer health benefits from the ones who do not offer health benefits.

- Business/Practical Reasons: Small employers who provide a health plan, as well as some of those who do not, believe that benefits:
  - Attract quality employees
  - Retain quality employees
  - Create more loyal employees
  - Reduce absenteeism
  - Contribute to increased productivity by keeping/getting employees healthy
  - Enhance a company's image or reputation in a competitive marketplace
  - Provide a tax benefit to employers
  - Provide a pre-tax benefit to employees who contribute to the cost of the premium

> *"Other people I have talked to have kept valuable people because of insurance. And they were able to hire people that they needed that were skilled because they had insurance." (2-10 Employees Not Offering Health Benefits – Frederick)*
>
> *"I think the healthier your employees are the less absenteeism you have." (11-50 Employees Offering Health Benefits – Salisbury)*
>
> *"It's a tax benefit if it's an expense." (2-10 Employees Offering Health Benefits – Frederick)*
>
> *"We brought the pre-tax in and they [employees] started thinking about it a little bit more because in the long run, when you work it out on paper, it costs them less." (11-50 Employees Offering Health Benefits – Salisbury)*

- Philosophical Reasons: One attribute that clearly differentiates small employers who offer health benefits from those who do not is the belief that providing health benefits is "the right thing to do." Some think of their employees as "members of the family," even though there is no formal familial relationship. Others simply feel it is their social responsibility to provide health benefits to employees.

> "*I've always felt it was our moral obligation to provide good benefits for everybody. We've got people that have been with us since the beginning of time. And they're like family." (11-50 Employees Offering Health Benefits – Baltimore)*
>
> "*Social responsibility. [Employers] feel responsible for their employees and they don't want to see anything catastrophic [happen] to them in their lives." (11-50 Employees Offering Health Benefits – Salisbury)*

- Smaller employers who offer a health benefit plan are more likely to employ the types of employees who demand or expect health benefits from an employer. It becomes necessary for some employers to offer a health benefit plan in order to compete effectively for high caliber personnel.

> "*Because your competitor down the street was going to offer it also." (11-50 Employees Offering Health Benefits – Salisbury)*
>
> "*From a company standpoint, you feel more secure because they [employees] are not going to be tempted to run to somebody else who is offering insurance." (2-10 Employees Offering Health Benefits – Frederick)*

2.4 For Employers Offering Coverage, What Do They Offer?

Health benefit plan practices are clearly diverse. Nearly every small employer contributes significantly to the premium cost of a plan. However, cost sharing practices vary widely.

- The majority of small employers contribute at least 50 percent of the employee's premium and many pay 75 percent to 100 percent of the employee's premium. Some employers even contribute to a spouse/family plan premium, although most expect the employee to "buy up" for these additional benefits.

> *"We pay 100 percent. And depending on how long people have been there, we then pick up their family. Some people have been with us 25, 30 years so we pick up their family as well." (11-50 Employees Offering Health Benefits – Baltimore)*
>
> *"We pay for half, 50 percent of total, individual and family." (11-50 Employees Offering Health Benefits – La Plata)*

- It is important to note that some small employers do not even know what type of delivery system option they actually offer. Study participants would claim to offer a particular option and then start describing a different delivery system option. Clearly the differences between delivery system options are confusing and not well understood.

> *"We have an HMO where we pay 100 percent and they can see a doctor of their choice." (2-10 Employees Offering Health Benefits – Bethesda)*

- Some common attitudes emerged about the various delivery system options. PPOs are preferred for allowing subscribers to see their physicians without a referral from a primary care physician. However, many small employers are not able to pay the additional premium for the freedom a PPO plan affords. On the other hand, a frequent complaint about the HMO or POS delivery system options is having to use a "gatekeeper for referrals." Complaints about HMOs also center on accessibility to doctors. They noted that is not unusual for network physicians to say that they are no longer accepting new patients.

> *"PPO is what I offer. It gives our people choices to choose their doctors. I don't believe in the HMO option." (2-10 Employees Offering Health Benefits – Bethesda)*

> *"From my experience, [PPO's are] the plan that people are most satisfied with. I've dealt with HMO's and all I've heard is complaints. I can't see a specialist, they won't refer you and the payments are slow." (2-10 Employees Not Offering Health Benefits – Frederick)*

- Some small employers, typically those with 11-50 employees, who offer multiple delivery options, contribute the same percentage to the premium regardless of which delivery option is chosen by the employee. However, other small employers will only contribute to the HMO delivery option and expect their employees to "buy up" for the greater flexibility provided by the POS or PPO delivery system.

- Other small employers, typically those with 11-50 employees, sometimes offer a tiered health benefit plan meaning they vary benefits by employee class. A greater contribution to plan premium or the entire premium is paid for senior managers, while other staff is required to cost share. It is also not unusual for senior staff to receive PPO coverage, while other staff is required to "buy up" (i.e., pay additional money) for this coverage if available. In addition, a few employers mentioned offering health insurance only after an employee has worked for the firm for several years.

> *"We have two levels. We have salaried employees and their whole family is paid 100 percent. The hourly employees, we pay half." (11-50 Employees Offering Health Benefits – La Plata)*

2.5 How Familiar Are Small Employers with Maryland's Small Group Market Reform and the Comprehensive Standard Health Benefit Plan (CSHBP)?

Familiarity with Maryland's Small Group Market Reform can best be described as poor. Familiarity with the Comprehensive Standard Health Benefit Plan (CSHBP) can be described as non-existent.

- Virtually none of the study participants were familiar with the legislative reforms affecting the small group market per se, although a few small employers were aware that people could no longer be denied health care coverage because of a preexisting condition. Small employers tend to describe Maryland's health care practices as fairly regulated. Although small employers believe the regulations are beneficial to employees, they are unclear how the regulations protect or benefit the employer.

> *"I don't recall [Small Group Reform]." (11-50 Employees Offering Health Benefits – La Plata)*
>
> *"Good for Maryland, because it's unfair to be prejudiced against someone because of the preexisting conditions." (11-50 Employees Offering Health Benefits – Salisbury)*
>
> *"It seems like it's skewed more toward helping the employee than it is the employer. Even though the headlines say it's for both, I don't see much help to the employer." (11-50 Employees Offering Health Benefits – Salisbury)*

- In theory, small employers believe in the small group reforms and the protections it provides. However, they also believe Maryland's practices have significantly decreased the number of carriers willing to compete in the State. They blame some of the spiraling health care costs problem on the dearth of competitive carriers in the market, although malpractice suits are considered the major culprit for rising costs.

> *"The competition in the State is virtually non-existent. They file these numbers, and each of the groups, United, Aetna, MAMSI, Blue Cross, get to look at all of the other plans' rates, based on their data of no preexisting conditions. It just virtually eliminated the competition, or close." (2-10 Employees Offering Health Benefits – Frederick)*
>
> *"Isn't the leading cause for premium increase due to the fact that hospitals have to have insurance against malpractice suits?" (11-50 Employees Offering Health Benefits – La Plata)*

- Some employers claim that the rising costs of health insurance premiums in Maryland are negatively impacting the hiring practices of some small businesses. Some small employers imply and seem to admit to the following practices:

  - Favoring younger job candidates

  - Favoring job candidates who are married and covered by a spouse's plan or who receive coverage elsewhere

  - Avoiding job candidates with preexisting conditions even though Maryland's Small Group Market Reform eliminated this concern

  - Trying to keep the number of hours their employees work below the level required to pay benefits or hiring more part-time staff

  - Offering health benefits to all employees, but only paying for health benefits for employees perceived as "good" employees

> *"Mine went up 36 percent, my premium. Unless you hire somebody younger, next year you're going to have the same problem." (2-10 Employees Offering Health Benefits – Frederick)*
>
> *"It almost pays to hire somebody out of high school just because the whole group saves so much." (11-50 Employees Offering Health Benefits – Salisbury)*
>
> *"A lot of businesses hire part-time employees so they don't have to [offer health insurance]." (11-50 Employees Offering Health Benefits – Salisbury)*
>
> *"Some people get it paid 100 percent and some people don't. It's subjective. If someone is a really good employee, they get 100 percent. If someone hasn't really proved their worth yet, then they're welcome to get it at their expense." (11-50 Employees Offering Health Benefits – Baltimore)*

- Familiarity with Maryland's Comprehensive Standard Health Benefit Plan (CSHBP) as it is called is virtually non-existent, although a couple of employers vaguely recall their brokers presenting what they call a "minimum" plan.

- CSHBP Brochure: When given the opportunity to review the CSHBP brochure, small employers respond positively overall, although they suggest a number of ways to improve the literature. Specifically, employers find the brochure comprehensive, informative and helpful. It is described as a good summary of a complex issue. Small employers would like the State to send them a copy of the brochure with other State forms or at least make it available through local Chambers of Commerce.

> "*It's pretty comprehensive." (11-50 Employees Offering Health Benefits – Baltimore)*
>
> "*It's nice. It's got the bullets, the most asked questions. It kind of makes something that's difficult to compare, the apples to apples, in a way that you can explain it." (11-50 Employees Offering Health Benefits – Baltimore)*
>
> "*The first thing, if you're going to put out something like this in pamphlet form, drop it into one of the forms they're always sending you." (2-10 Employees Not Offering Health Benefits – Frederick)*
>
> "*The Chamber of Commerce could distribute these pamphlets. Or the State could mail them with our Unemployment Insurance Form every month." (2-10 Employees Not Offering Health Benefits – Salisbury)*

- Specific concerns about the brochure include:
  - The print is too small
  - Visually, it is unappealing
  - It lacks definitions for some terms which would make the subject matter easier to understand
  - It is a bit long and intimidating

2.6 Where Do Small Employers Get Their Health Benefit Information?

Small employers rely on a variety of sources for information on health benefits. None is clearly as valuable as a knowledgeable, service-oriented broker.

- The following sources provide information about health benefit plans to small employers:
  - Calls from brokers
  - Calls from carriers
  - Outdoor signs
  - Mass media (e.g., newspapers)
  - Email
  - Word-of-mouth from colleagues
  - Internet – search engines are used to find carrier websites
  - Trade associations – (e.g., trade publications, conferences and trade shows)
  - Chambers of Commerce
  - Yellow Pages
  - National Association of the Self-Employed

- Since small employers are currently using the Internet to obtain information about health benefit plans and carriers, they were asked how willing they would be to purchase a health benefit plan from the Internet. Employers are willing to use the Internet for research, but most would prefer to have a person to talk with about purchasing a health benefit plan. In particular, they want a person who can help them if they have questions or concerns about their plan once it is in place. Of course, the advantage of using the Internet is that it is available 24 hours, 7 days a week. Small employers, however, want assurance that the site will be reputable, trustworthy and secure. The Maryland Health Care Commission site seems to meet the criteria small employers deem are important.

"*[I use] the Internet. You go on the web, an insurance company website, and you print it out." (11-50 Employees Offering Health Benefits – Baltimore)*

"*I would use it [the Internet] if making my searching was any easier, but I tend to think that if we are talking about that kind of money, I would rather see a live, human body standing in front of me. And, who I can go to later if there is a problem." (2-10 Employees Offering Health Benefits – Bethesda)*

"*I think it is a good concept, but make sure it is a legitimate website, make sure it is secure." (2-10 Employees Offering Health Benefits – Bethesda)*

- Small employers who offer health benefits and work with a professional broker rely heavily on their broker to:

  - Educate them about delivery service options and how they work
  - Do a lot of the "leg" work when shopping for a plan
  - Advise them on how to reduce premium costs and maximize value by adjusting benefit levels, including co-pays, deductibles, etc. in a way that will be positively received by employees
  - Present an easy to understand comparison between carriers based on the plan needs of the employer
  - Work fairly with them, presenting all the options - not just those that will provide the broker with the greatest commission
  - Negotiate better rates with the carriers (some small employers assume this is possible)
  - Provide service after the sale to help with claims disputes and other problems

"*The agent did a lot of the legwork for me and did a lot of comparisons for me." (11-50 Employees Offering Health Benefits – Salisbury)*

"*Brokers suggest raising the co-pays and splitting the premiums with employees." (11-50 Employees Offering Health Benefits – Baltimore)*

> *"The brokers bring us information, which in my mind can make the job easier. I wouldn't use the word easy, but at least not as tedious in the sense that this is the plan. It's very hard to compare apples to oranges. I would say more apples to cucumbers." (11-50 Employees Offering Health Benefits – Baltimore)*

- It is clear from the small employers that brokers:

  - Rarely, if ever, present or explain Maryland's Comprehensive Standard Health Benefit Plan- employers assume that this is because brokers do not receive a commission for selling it

> *"The broker should bring that up [the Standard Health Benefit Plan], but it may be something that he doesn't get a commission on." (2-10 Employees Not Offering Health Benefits – Baltimore)*

  - Subtly and not so subtly advise their clients to hire younger employees if they want to lower their premium costs

> *"And once you get into that 50-age band, it's like my broker asked, 'Can't you hire some 18-year old kids.'" (2-10 Employees Offering Health Benefits – Frederick)*
>
> *"It's all functional to age. It's a shame to say, but I think we've been aware from time to time that if we hired younger employees our insurance premiums would go down. That's the advice we get." (11-50 Employees Offering Health Benefits – Baltimore)*

- Brokers who are client service-oriented and assist small employers with employee education and claims disputes are highly valued. Small employers greatly appreciate the help of their broker because they rarely have the time or knowledge to deal with health benefits issues on their own.

> *"I love having a broker. When you have a problem or you need something resolved, an issue, they jump right in and take care of it for you. Maybe it's just my broker, but they're wonderful." (2-10 Employees Offering Health Benefits – Frederick)*

- Small employers (especially those who do not use a broker) express concern that brokers are too aggressive. There is the belief that brokers are constantly trying to "up-sell" their clients to maximize their commission.

"The reluctance I have to contacting brokers is I feel that they are going to pounce on me. That I'm going to become candidate number one and they're going to be calling me all the time and hounding me and trying to sell me something that I don't really want. And I think that they are going to try to sell "up" on me because they are going to make more of a commission. They want [to sell] me all of these options and packages that I don't need." (2-10 Employees Not Offering Health Benefits – Salisbury)

2.7 What Is Small Employer Interest in Benefit Structures and Cost-Sharing Arrangements?

- Employers in each group individually completed a form to identify their preferred health care plan in terms of delivery system (i.e., HMO, PPO, etc.), individual deductible amount and the individual premium cost per month. The first groups conducted in Bethesda completed a form which asked respondents to choose a preferred delivery system from several alternatives based on the effect of increases or decreases in individual and family deductibles on the cost of premiums (see below). Three options were provided for the POS, three options for the PPO and one option for the HMO.

Check Preferred Delivery System(s)	Delivery System	Individual Deductible	Family Deductible	Effect on Premium	Preference **(Check only ONE per delivery system)**
POS ●	Point of Service (POS)	$400	$800	0% - Baseline	
	POS – Increase Deductibles	$600	$1200	-1%	
	POS – Decrease Deductible	$200	$400	+1%	
PPO ●	Preferred Provider Organization (PPO)	$1000	$2000	+9%	
	PPO – Increase Deductibles	$1400	$2800	+2%	
	PPO – Decrease Deductible	$600	$1200	+18%	
HMO ●	Health Maintenance Organization (HMO)	None	None	+11%	

*Assume $2,150 Average Annual Individual Premium (Includes both employer and employee portions)

- Respondents in these groups had a difficult time understanding this exercise and therefore, the form was simplified for subsequent groups to present only one option for each delivery system. The actual cost per month of the individual premium per employee for each option was clearly stated in the revised form (see below).

Check Preferred Delivery System(s)	Delivery System	Individual Deductible	Cost per Month (Individual)
POS ●	Point of Service (POS)	$400	**$180** per employee
PPO ●	Preferred Provider Organization (PPO)	$1000	**$195** per employee
HMO ●	Health Maintenance Organization (HMO)	None	**$199** per employee

*Assume $2,150 Average Annual Individual Premium (Includes both employer and employee portions)

- In the Bethesda groups, where the initial form was used, most respondents preferred one of the PPO or POS options, usually one with the least effect on the premium, no matter what the deductible amount. Only one employer from across both groups preferred the HMO option, probably because of the lack of deductibles.

- After the form was simplified and clarified, there was a strong preference for the HMO delivery option, because the lack of deductibles only increased the premium cost per month by $4 over the PPO option per employee for individual coverage. About half of the employers would prefer the HMO delivery option. Of the remaining respondents, a third chose the PPO and about 20 percent preferred the Point of Service, probably because the premium cost per month is lower than the PPO option. Lower receptivity to the POS option may be because employers do not truly understand how this option works or may not like having to go to a gatekeeper for referrals.

- In another written exercise, respondents chose from a list of benefits those which they need to have, those which would be nice to have and those which would not be needed in a health plan for their employees (see below). (Note: Benefits listed were based on how premium dollars are allocated in the general insurance market, not just the small group market.)

Benefit	Percent of Premium	Need to Have	Nice to Have	Not Needed
Chlamydia Screening	0.1%	●	●	●
Nursing Home Care	0.2%	●	●	●
Ambulance	0.2%	●	●	●
Breast Reconstructive Surgery	0.3%	●	●	●
Prostate/Colorectal Screening	0.4%	●	●	●
Rehabilitation Services	0.4%	●	●	●
Durable Medical Equipment/Prosthetics	0.4%	●	●	●
Mammography	0.8%	●	●	●
Home Health Care	1.0%	●	●	●
Chiropractic	1.2%	●	●	●
In Vitro Fertilization	1.6%	●	●	●
Well Child Care	1.7%	●	●	●
Emergency Room	2.1%	●	●	●
Mental Health & Substance Abuse	4.0%	●	●	●
Maternity	5.0%	●	●	●
Physician Services – Evaluation/Management	6.0%	●	●	●
Diagnostic X-Ray and Lab	6.8%	●	●	●
Other Physician and Professional Services	7.8%	●	●	●
Prescription Drugs	12.0%	●	●	●
Hospital Outpatient - Medical/Surgical	14.9%	●	●	●
Hospital Inpatient- Medical/Surgical	20.5%	●	●	●

- Over half of employers feel that a number of benefits are important in their health plan. These include hospital outpatient – medical/surgical, hospital inpatient – medical/surgical, diagnostic x-ray and lab, emergency room and prescription drugs. Nearly half would want mammography, physician services – evaluation/management, other physician/professional services and prostate/colorectal

screening. About a third named ambulance, well child care and maternity as benefits they would need to have in their health plan.

- Nice to have benefits, but those that are not considered necessary and that are named by about a third of employers, are home health care, mental health and substance abuse and chiropractic. The least important benefits to small employers are in-vitro fertilization, chlamydia screening and nursing home care. (Note: The CSHBP does not include coverage for in-vitro fertilization.)

- Employers were also asked by the moderator to indicate the percentage of the premium that they would be willing to pay for single or family coverage for their employees. Over three-quarters of respondents across groups that do and do not offer health benefits said they would pay at least 50 percent of the premium. Over half would be willing to pay exactly 50 percent. Just six out of the 43 respondents participating in this exercise would pay 100 percent of the premium. There was a mixture of those employers who said the percentage would apply to the employee only and those who would pay that percentage for family coverage.

2.8 What are Top-of-Mind Reactions to State-Sponsored Solutions for Reducing the Numbers of Uninsured?

Small employers were presented with a variety of concept statements prepared by the Maryland Health Care Commission and the Department of Health and Mental Hygiene describing alternative programs designed to reduce the number of uninsured or underinsured lives in Maryland.

- The concepts were presented in each focus group session, time permitting. Overall, reactions were generally unenthusiastic to all concepts presented, mostly because small employers would prefer that the State not get more involved in the affairs of businesses. The concepts presented were purposely kept general and non-specific so that small employers could understand them and articulate relevant questions and concerns. In fact, the concepts often elicited many questions and prompted concerns about the State sponsoring another program given all the costs that would be associated with administering it. The specific concepts presented included:

    1. State-subsidized premium support to encourage employers to offer health insurance to lower income workers

    2. 5 Percent "Pay or Play" Plan

    3. Maryland's MCHP Premium and Employer Sponsored Insurance Option (ESI) Employee Buy-in Programs

1. A concept about State-subsidized premium support to encourage employers to offer health insurance to lower income workers was presented only in the first few focus groups. The concept was described as follows:

> "*While the State of Maryland currently does not provide this assistance, what are your opinions of a program that could help employers and their employees by offering some financial assistance or compensation for their monthly health insurance premium payments? In Massachusetts, employers are required to pay at least 50 percent of their employees' monthly premium, and, in turn, the State repays a small portion of the employer's share of the premium and a larger share of the employee's share. This is all based upon each employee's level of coverage (single, individual and spouse, individual and dependent, and family) and is only available for those who earn a limited income (about $36,000 for an average family).*"

- The concept was not positively received. Study participants feel the program will:
  - Be a financial drain on small businesses
  - Require burdensome paperwork
  - Include too many stipulations

> *"When the government gets involved, it translates into lack of competition. That's the government requiring that we pay another tariff for those that don't pull their weight." (2-10 Employees Offering Health Benefits – Frederick)*
>
> *"It's like Social Security. It's required of you. I think that's a horrible idea. As a small business there are so many things that are required of you. So they say, 'We are going to give you a small amount of support, but we are going to put this other requirement on you in addition to the other 150 you already have.'" (2-10 Employees Not Offering Health Benefits – Baltimore)*

2. A 5 percent payroll tax "pay or play" plan was presented in many of the focus group discussions. The concept was described as follows:

> *"In Maryland, hospitals are allowed to raise charges to insured patients in order to pay for the cost of treating uninsured or underinsured patients. By paying these higher charges, businesses that provide health coverage to their workers are subsidizing care for uninsured workers in firms that do not offer health coverage. These increased charges amount to over $400 million a year in Maryland hospitals alone. Would you be interested in a proposal in which the State would require all businesses to either offer health insurance or contribute some minimum percentage of their payroll (5 percent) to a health insurance pool in order to eliminate this shifting of the financial burden among businesses and to ensure that all Marylanders had health coverage? (The plan would include subsidies to low wage firms to ensure that they could actually purchase coverage with their contribution)."*

- The 5 percent concept received mixed reviews. Interestingly, small employers who do not offer health benefits respond more positively to the concept than small employers who provide health benefits. Undoubtedly, this is because some small employers who do not provide health benefits see the plan as being less expensive than having to cost share the premiums of a company-sponsored

health benefit plan. A number of study participants likened the program to the existing uninsured motorist fee program. A couple of small employers who do not offer health benefits implied that the 5 percent plan might motivate them to offer a company sponsored health plan.

> *"Currently businesses are being affected by businesses like us that don't have insurance. That is what the top paragraph is saying. The bottom paragraph is saying, 'Hey, we have a solution.' And it requires all businesses, like by law, you have to pay for health insurance. I really like it. That's almost like that no-fault insurance for cars." (2-10 Employees Not Offering Health Benefits – Bethesda)*
>
> *"You pay five percent of your payroll – that's cheap. I would rather pay the five percent." (2-10 Employees Not Offering Health Benefits – La Plata)*
>
> *"This is just like uninsured motorists. You wind up buying insurance because you don't want to pay that uninsured motorist fee." (2-10 Employees Not Offering Health Benefits – Frederick)*

- Skepticism and cynicism about the 5 percent plan were evident among small employers who offer health insurance and those who do not offer health insurance. Small employers were concerned that:

  - Companies who currently offer health benefits might take them away and choose to pay the 5 percent payroll tax because it would be less expensive

  - The 5 percent contributions would be diverted away from health care to some other State program and therefore not lower the $400 million uncompensated care amount

  - The 5 percent contributions would not have a positive effect on reversing rising premium costs or the debt for uncompensated care

> *"People would start looking at their payroll and say, 'Hey, maybe we can not provide health insurance and just pay 5 percent.'" (11-50 Employees Offering Health Benefits – Baltimore)*
>
> *"Well I don't think it would bring the cost of health care down that much. It may help. But it's not going to bring it down like 50 percent." (2-10 Employees Not Offering Health Benefits – Bethesda)*

> *"I would like to see, if this was going to go in effect, some way that our premiums would go down, if we are now going to fork over another five percent to this." (11-50 Employees Offering Health Benefits – Salisbury)*

- Some small employers also think the 5 percent plan:
  - Is confusing
  - Will increase the size of government because a department will have to be created to oversee the program

> *"I don't understand. Who is going to pay for this? Why should there be a subsidy to low wage firms, when it says everybody contributes 5 percent?" (2-10 Employees Offering Health Benefits – Bethesda)*
>
> *"The cost of monitoring and administrating this fund would probably exceed the contributions." (11-50 Employees Offering Health Benefits – Baltimore)*

- Some employers emphasize that it would be important for the 5 percent plan to include subsidies for low wage firms to ensure they purchase coverage with their contribution.

> *"I don't think that I would like this so much except for the last sentence, where there would be a subsidy for low-income businesses because then the burden isn't on the one already burdened." (11-50 Employees Offering Health Benefits – Salisbury)*

3. Maryland Children's Health Insurance Program (MCHP), MCHP Premium and Employer Sponsored Insurance Option Programs were presented in most of the focus group discussions. There is virtually no awareness of these programs. The concept was described as follows:

> *"MCHP Premium provides full health care benefits to children under age 19 living in families with annual incomes between roughly $36,000 and $54,000. Children receive health insurance coverage through either their parent's employer-based plan or, if a qualifying employer plan is not available, through one of the State's Medicaid HMOs. For children whose parents have access to health insurance coverage through their jobs, the State will buy the child into the employer's existing plan. The State refers to this as the MCHP Premium Employer Sponsored Insurance Option."*

- In principle, small employers believe the MCHP Premium program is a good idea. They recognize that some of their employees cannot afford family coverage and know, as a result, that some of their employees do not have health benefits for their children.

> *"I didn't know about this. This would be a nice additional benefit small businesses could give to their employees. This is something that needs to get out there for families in these income levels." (2-10 Employees Offering Health Benefits – Bethesda)*
>
> *"I have one employee whose coverage I paid for, but he has two children and he can't afford to pay the $600 a month to cover them. So they have no insurance." (2-10 Employees Offering Health Benefits – Frederick)*

- However, despite their positive receptivity to the program in theory, small employers feel as follows:

  - The income range qualification for the program is too narrow, eliminating most of their employees from being able to participate

  - The program would be a drain on small employers since they would have to contribute at least 30 percent of a family premium, which is above and beyond what most small employers currently contribute since not many pick up any costs for family coverage

> *"I see no one that makes that income." (2-10 Employees Not Offering Health Benefits – Bethesda)*
>
> *"Well, nobody that I have has anybody 19 or under living at home." (2-10 Employees Not Offering Health Benefits – Bethesda)*

"I don't like it. I just see that the State is paying for more and it is just going to continuously increase and the small business owner will eventually pay for it." (2-10 Employees Offering Health Benefits – Bethesda)

3.0 SUMMARY OF FINDINGS: FOCUS GROUPS WITH HEALTH INSURANCE BROKERS

3.1 What Are Broker Perceptions of Maryland Small Employer Needs for Health Benefits?

- When brokers were asked their perceptions of what small businesses look for in a health plan, there was strong agreement that a good price/value relationship is the most important feature. Small employers want the richest plan at the best price.

> *"Price [is the issue]. A lot of the companies I work with are interested in having quality plans for their employees. It's always price…the most for the least." (Bethesda)*
>
> *"Companies can get any benefit they like. It's the cost of it being affordable [that] is their issue." (Baltimore)*

- More specifically, brokers believe that the cost of the monthly premium largely drives decision-making when it comes to the plan chosen by employers. This is particularly true if employers are paying for all or most of the employee premium. Employers who premium share with employees are also influenced by what they believe their employees are willing to pay.

> *"Small employers want to know what the premium cost is, what it is going to cost them. They will tell you right up front whether they're going to pay for it. The employee doesn't want to pay over a certain amount [either]." (Bethesda)*

- Premium share percentages vary across employers. Many brokers say employers pay at least 50 percent of individual coverage. Most employers do not contribute anything to the family coverage premium, and brokers say they do not advise clients to do this, as it exhibits favoritism towards certain types of employees. The amount of premium contribution by businesses varies by industry, what the employee base is willing to pay and how much money the company has to contribute. Brokers often have to help employers determine what the optimal premium-sharing ratio is for their company.

> *"I'd say from my experience, employees pay 25 percent of the individual. Depending on the industry it might go as high as 50 percent." (Bethesda)*
>
> *"Employers contribute about 50 percent of the employee cost." (Baltimore)*

> *"I advise a lot of my firms not to pay for the family health. If you're only paying 50 percent for the single, you're rewarding your family employees. So a single is actually being penalized because they don't have a family." (Bethesda)*
>
> *"I tell [employers], 'You have to look at your industry. You have to look at your employee force, how much money you have to spend. I can help you and guide you, [but] you have to decide what's right for your company.'" (Baltimore)*

- Brokers say that employers are always looking for ways to lower the cost of the premium and, in some cases, are willing to consider more innovative ways to do this. Some brokers say a few small businesses they work with are willing to absorb the cost of employee deductibles, if needed, in order to get a lower premium and take the risk that their employees do not get sick. In the long run, these businesses say that this strategy could save them money.

> *"The trend that I am seeing more often than not is good business people are coming in saying they want to look at [different ways to lower premiums]." (Baltimore)*
>
> *"I could say as an employer, here is a $1,000 deductible policy. I'll front you [the employee] the $1,000, if you need it. But for a lot of my people, they are not going to even need it." (Baltimore)*

- However, most brokers say that employers are reluctant to consider plans that call for a high deductible in order to obtain a lower premium even if they would like to be able to offer this type of plan. Employees want plans with immediate "first-dollar" coverage and a low co-pay, and would not accept a high deductible plan, according to brokers.

> *"I would say the consumer has been spoiled to a large degree. We used to be able to sell $250 or $300 deductible plans. [Now they only] want a $10 copay." (Bethesda)*

- Brokers confirm that many of their small business clients have a two- or three-tiered benefits package, offering an HMO to the staff and a PPO or Point of Service plan to executives who want the flexibility and are willing to pay more. Some brokers say they encourage this approach with new clients because it provides an incentive for decision makers to consider offering company-wide insurance. Brokers also encourage employers to base their contributions on the HMO option and give employees the choice to pay more for the PPO option if they want it.

"I find that 75 percent of my clients offer two offerings. It could be an HMO and a PPO or Point of Service or something." (Baltimore)

"I encourage [the dual approach]. I think the younger population is used to being insured by HMOs and cannot afford that higher PPO premium. So when the owner says, 'No, I don't want to look at an HMO'. I say, 'Let me just show you an HMO mixed with a PPO'." (Baltimore)

"Most of them offer more than one option because it doesn't cost them anything additional. The majority of clients would just give their contributions to the least expensive plan, then if the employee wants to buy up [he/she can]." (Bethesda)

"What I pretty much recommend is to base it [the employer's contribution] on the lower option. And that way it's the employee that has made the decision to pay the higher premium. The employer doesn't look like they didn't offer anything." (Baltimore)

- However, many brokers say that neither employers nor their employees like HMOs. They want greater flexibility in using health care than what is offered by an HMO. Nevertheless, because they perceive costs are so high for PPOs and other more flexible plans, companies are forced to choose HMOs to cover most of their employees.

"I have a lot of people that don't want an HMO-based plan. They don't want to have them say what doctor to go to if they have a stroke or cancer." (Baltimore)

"There's a lot of bad publicity about HMOs. People say, 'I don't want that'. There's too much gatekeeping." (Bethesda)

"When you are looking at the base premium of an HMO, it's forcing them to be in the HMO. They don't have a choice to buy the Point of Service or PPO. The costs are just way out of line." (Baltimore)

- Brokers are often unwilling to work with highly price sensitive small employers since these types of clients are not profitable to maintain. In fact, brokers are reluctant to work with very small employers who only want to buy health insurance from them. In order for a small business client to be profitable for many brokers, the client must also use the broker for other insurance products, including pension plans, life insurance, liability insurance, etc. It is not lucrative for brokers to sell only health insurance to the small business market; therefore, some brokers will not take a client unless they can also represent their other insurance needs.

"One of the factors I am looking at now is if I am talking to a client and [price] is so critical a factor, I am backing off from them. Let someone else worry about it. I will find a way to get out of the situation." (Baltimore)

"Price is important. However, if the client is not generating the margins they need to handle these hefty price increases, your time as a broker is better spent elsewhere." (Baltimore)

"I recently put in a pension plan for a company for whom I did the health insurance. I couldn't care less about the health insurance. I wanted their pension. I actually told them, you have to give me the pension or I'm not going to do your health insurance. I don't think anybody in this room is solely a health insurance advisor. We all sell life insurance. We all sell dental, disability, long-term care, investments." (Bethesda)

"You always have to take your compensation on the other lines (i.e., retirement accounts, life insurance, etc.). That's what we look for. A lot of times we won't just take the health insurance. If that's all they're looking for, $20 a head for a group of three, $60 is not worth it." (Bethesda)

- Brokers say that the smallest employers (those with 5 employees or less) are the least likely to offer health insurance. About half of these employers offer it and half do not, according to brokers. Larger businesses are more likely to offer employee health insurance; up to 80 percent of small businesses with 11 to 50 employees do, in brokers' experience.

"I would say when you get less than five employees, a lot of them do not offer health insurance; half, maybe more. When you are under 10 employees, it is still a fairly higher percentage that don't. When you go over ten employees, I would say from my experience, 80 percent do offer health insurance." (Bethesda)

"[Companies in the 11 to 50 employee range] are more prone to offer [health insurance]." (Baltimore)

- Health insurance, as well as other benefits, is a way to attract and retain good employees, reward them for their loyalty and increase worker productivity. Brokers feel that most small employers have to offer health insurance because of demands from employees and from the competition. Employees expect benefits from an employer, particularly if they are used to working for larger companies. Small employers usually consider health care coverage part of their cost of doing business.

"They are not going to [attract] quality employees if they don't have benefits, whether it be medical insurance, a car allowance or whatever." (Baltimore)

"A lot of companies I work with provide benefits because they know their employees are helping them make the profit and they want to reward them." (Bethesda)

"If an employer has to offer [health insurance], he will. If your employees are coming to you and saying, 'We would like health insurance because we don't have it or my husband is laid off, [they will get it]'. Employee demand is number one." (Baltimore)

"You start with the people that come from the big guys like Verizon or whatever. Then they are going down to the small guy just starting up saying, 'Where is my coverage?'" (Baltimore)

- Brokers have noticed that small employers with a more educated, higher income workforce are particularly likely to offer health insurance. Offering health insurance and other benefits makes the company more competitive in the marketplace when recruiting new employees. Brokers say that high tech firms, in particular, are especially generous when it comes to offering all types of employee benefits.

"I think some of the industries, because of the education of their employees, will demand insurance. It's more income-driven." (Bethesda)

"Tech companies have been known to be very generous to their employees." (Bethesda)

- Brokers believe that small businesses in the Washington, D.C. metro area tend to offer health insurance more than businesses in other areas of Maryland. They surmise that this is because workers in this area are more highly educated and businesses must be more competitive to attract these workers.

"This area is the most educated and the richest, the Washington metropolitan area. So I think people expect more benefits. They're going to want more when they go after jobs." (Bethesda)

- On the other hand, if a small business is in a high turnover industry where the profit is low (such as retail), health insurance is less likely to be offered to employees, according to brokers. Companies with lower paid or temporary workers also do not typically offer health insurance, nor do their employees participate even when insurance is available.

> *"Retail does not [have health insurance]. We have very few retail customers. It's a very transient-type of employee that they have." (Bethesda)*
>
> *"Where a company is hiring very, very low paid people or temporary people, that type of industry [is not likely to offer health insurance]." (Baltimore)*

- Brokers mention other characteristics of small businesses that do not offer health insurance to employees:
  - Employers who cannot meet the 75 percent participation requirements because they have workers who are already covered under a spouse's plan or do not want to pay for health insurance (Note: Maryland law allows carriers to require a minimum participation rate of 75 percent of eligible employees; however, employees with spousal coverage do not count in this calculation.)
  - Start-up businesses that are not making enough revenue at first to pay premiums or even share premium costs with employees
  - Businesses with owners or partners who do not need insurance (i.e., they are already covered through other means) and, therefore, do not want to incur the cost of offering it to employees
  - Businesses that do not have the staff to handle the administrative and employee service issues necessary when offering a health plan
  - Businesses that are not looking at the long-term growth of their company (i.e., they are only concerned with day-to-day short-term operations)
- Brokers identify a number of obstacles that small employers face when offering health insurance. While carrier choice has diminished in Maryland, the plans provided by the few carriers left in the market are more complicated than they used to be. This poses an education problem for both employers and brokers. Brokers feel that employers and employees need more education about the plans and the available options. Employers typically want something simple presented to them because they do not have the knowledge or time to look at a variety of plans and options.

> *"There are fewer companies, but the options have expanded so much for [clients] to choose from. You can have 20 proposals from one company. [There are] too many options sometimes." (Bethesda)*

> *"That's what they [employers] want. They want it simple and to be educated as to what it is. They don't have the time." (Baltimore)*

- In addition, brokers contend that many employers do not know what type of plans they have or how their employees should use them. In fact, most do not care about these issues and want the broker to handle both employee education and employee complaints.

> *"I find that even the business owner is sometimes not sure exactly what they have. They do not understand how they got to what they have. They don't understand if they have a PPO or an HMO, or they didn't know a triple option was available. We have to educate them a lot more about what healthcare they do have." (Bethesda)*
>
> *"Most of the small groups that I get, once it's sold, they don't want to have anything to do with it. Employers say, 'You deal with it. If they [employees] have a problem, I want them to call you. I don't want to have to explain anything to them'." (Baltimore)*

- Brokers also stated that small employers must contend with the continual increase in insurance rates. Often these rate increases present a substantial problem for their clients who need to find ways to cover the increases.

> *"Everybody is raising their rates, one company to the next. So where do you go? I get clients calling me saying, 'Well, can you give me some proposals?'" (Bethesda)*

3.2 How Do Brokers Service the Small Business Market?

- Brokers typically provide a number of services for their clients. These services mainly focus on information, education and customer service. In order to service their clients, brokers:
  - Do research for clients on what types of plans their competitors are offering to employees
  - Determine what clients want in a health plan and develop presentations of different plan choices for them to review
  - Present annual renewal rates on current plans and work with clients to come up with different options to better handle rate increases
  - Take care of the administrative aspects of the plan for their clients
  - Send regular information about aspects of health insurance their clients may be interested in
  - Make themselves available to answer client questions
- Brokers identify *Carrier X*[3] as the dominant player in the health care insurance market in Maryland. All the brokers say they sell *Carrier X*. While they also represent plans from other carriers, brokers say most other carriers are fringe carriers with a limited number of products.

> *"Everything seems to follow [Carrier X]. Everybody hinges on it. It's an iceberg. They have [been] a major presence in the market for the past 10 years." (Baltimore)*
>
> *"They [Carrier X] are the only player in Maryland that amounts to anything at all. The other players are very fringe. They are here for the PPO, but not for the HMO or the Point of Service [or vice versa]." (Baltimore)*

- Brokers develop relationships with carriers whose plans and services they particularly like. Brokers exert some control over the market in that they often will steer clients to carriers they know and like to deal with, and away from carriers that have especially poor customer service or with whom brokers have experienced problems.

[3] For the purposes of this report, the names of the carriers identified during the focus groups are confidential.

"I have fallen in love with a company called [Carrier Y]. It's a little small honky-tonk company out in… And it's out of this world. They have a PPO which meets all the descriptions of everything people want here." (Baltimore)

"So you are going to go with a [carrier] that is going to make it easier for you, [that] you know the most about, which is going to make it easier for them [clients]. Because you can do the best work." (Bethesda)

"I tell my clients, I won't move anybody to [Carrier Z]. If you want to be moved to [Carrier Z], here's a waiver holding me not responsible. You don't want to have anybody come back and bite you later." (Bethesda)

- Brokers say that premium prices from all carriers are supposed to be the same overall. They know that plan costs should only be based on average age and location. However, some brokers have the perception that *Carrier X* sometimes quotes different prices for the same average age and geography and that many carriers give higher rates for new clients than for renewals. Others say they have experienced just the opposite, that insurance carriers will lower the cost to get a new client, only to later increase premiums knowing that it would be difficult for employers to change plans or carriers.

"[Carrier X] rates a renewal differently [than a new group] because it's not a true average age. It only comes up if they jump an age bracket. If you run the renewal yourself, based on how old they really are, it's going to be different than the actual renewal. So when we go on renewals, we are permitted to use the age of the people at the renewal dates." (Baltimore)

"I found for the majority of my clients, regardless of who the incumbent carrier is, that the incumbent carrier comes in at the most competitive rate. I haven't moved a company from one insurance carrier to another in 5 years." (Bethesda)

"The insurance company wants you at the beginning. They will lower a cost to get you. And then they can increase your premium as much as they want because where is that client going to go?" (Baltimore)

- Brokers have a cynical attitude about these pricing practices. They believe *Carrier X* is too influential in the market and that is why it can get away with artificial rate setting. Some even suggest that *Carrier X* has purposely increased rates to increase profitability so that the company would be attractive to potential buyers.

> *"The carrier says, 'That's the way we do it'. Because they are [Carrier X], they can do it." (Baltimore)*
>
> *"[Carrier X] has been on a mission for the last 7 years. They have been trying to incorporate themselves into a profitable situation so they can be sold." (Baltimore)*

- Brokers feel that their influence and control in the health care industry is diminishing and are fearful that the industry is trying to cut them out. Brokers feel frustrated that they cannot negotiate rates with the carriers in order to better service their clients or make health care a more profitable line of business for their own companies. Brokers complain that their commissions are getting squeezed and they are less motivated to sell to small group businesses. The clients and carriers expect them to provide more customer service without additional compensation. Brokers also say that carriers no longer are willing or able to provide them with the assistance needed to service clients, and do not appreciate the broker's role in representing them, bringing in business and servicing the market. This has an effect on brokers' motivation to represent the small group market.

> *"What the insurance carriers are doing is they are [shifting] their burden to you from quoting to rating to purchasing to binding to doing whatever it is to get that group going. They don't want to do anything anymore. They want you to do all the leg work. And they are telling you that they want to pay you less." (Baltimore)*
>
> *"Commissions are going down and service work by the agent is going up. That is the reality." (Bethesda)*
>
> *"I think [Carrier X] is terrible because they don't train their people to do more than one type of issue. So if you're talking about enrollment, you can't talk about pricing with the same person, or a claim. Customer service, and I'm the customer, is terrible." (Bethesda)*
>
> *"I remember the days when an insurance company appreciated the business that they received. Send a piece of business to any of these carriers now…, I have never gotten a thank you. It's like they are doing me a favor." (Baltimore)*

3.3 How Familiar Are Brokers with Maryland's Small Group Market Reform and the CSHBP?

- Brokers are aware of the Maryland Small Group Market Reform and feel that at least initially it was a positive development in the industry. This is primarily because it allows access if employees have preexisting conditions.

> *"The first couple of years, it was probably a really good thing. The problem prior to small group reform was access, especially for small groups where they had minor preexisting conditions. So the one thing that was good was they allowed access." (Baltimore)*
>
> *"In the short-term, it was a good thing. Today it's easier for underwriting." (Bethesda)*

- However, over the long term, brokers believe that the reforms have had a negative impact on the health care industry. Their perception is that it has limited the number of carriers in the market and, therefore, reduced competition. According to brokers, this has resulted in the cost of health benefits being much higher than would have been the case under less regulated market conditions. Some brokers say that Maryland "is the most regulated state in the country" in terms of health care and they feel that there needs to be more competition to drive rates down.

> *"There are not a lot of options available right now. There are only five or six quality carriers locally. With the multitude of reform in the State of Maryland, it is very difficult for carriers to penetrate into the market." (Bethesda)*
>
> *"Now we have seven [insurance] companies that are doing business in the State. There is limited competition. We haven't controlled the costs in any way." (Baltimore)*
>
> *"The least desirable factor right now is the lack of competition. [There are] so many mandates that Maryland has put into their Small Group Reform. It's unbelievable. That has priced it so high." (Bethesda)*

- Brokers do not believe that the reforms to the small group market are working. They feel that the regulations need to be relaxed to allow more competition into the market in order to drive prices down and to provide employers with more flexible plans.

"It's taking away from our flexibility. Our legislators are doing that to us. It's unfair for us to be in this business and it's unfair to the employers because they are being limited. There could be a lot more competition, which would bring down the rates." (Baltimore)

"I'd like to see Maryland have the Small Group Reform, but also have plans available for medical underwriting." (Bethesda)

- Brokers in Baltimore were asked to react to the concept of requiring businesses that do not offer health benefits to their employees to contribute 5 percent of their payroll taxes into a general State-administered health care fund. This fund would be used to reduce the health care premiums for companies that do offer health benefits and reduce the cost of uncompensated care that the State must bear.

  – This concept was largely discounted by brokers. While some were positive toward the concept because it enables more employees to be covered by health benefits, most did not approve of the idea. Brokers say that the concept resembles welfare or some socialized policy. They also do not believe that the funding should come from employers. Carriers should be required to bear the cost, according to some brokers.

"That's just government, that's welfare." (Baltimore)

"We're talking about money and about funding. The funding shouldn't come from the employer." (Baltimore)

- Brokers in both groups have very negative impressions of the Comprehensive Standard Health Benefits Plan (CSHBP). Most do not sell it, saying their clients would find the plan unappealing. It is interesting to note that many brokers do not know the plan by name and refer to it only as the core plan or base plan.

"I don't sell it. This is the core benefit plan. It's a rotten plan." (Bethesda)

- Brokers find the plan very limited in terms of benefits. They erroneously believe that it does not include preventive care or upgrades such as therapy, for example. In addition, there is a relatively high upfront deductible [4], which many employers and employees do not want. Another problem

[4] In the CSHBP, the indemnity, PPO, POS and PPO/MSA products include deductibles.

brokers see with the standard plan is their perception that it requires 75 percent eligible employee participation, often an obstacle for small businesses trying to offer health insurance. (NOTE: The standard plan does not require a 75 percent participation rate; it allows carriers to impose a minimum participation rate of 75 percent.)

> *"It's very limited. Who wants it? The basic plan leaves off important upgrades that cover therapy." (Baltimore)*
>
> *"It puts a higher deductible upfront. Your out-of-pocket maximum is higher because it's driven by the deductible." (Baltimore)*
>
> *"A lot of small employers won't make participation." (Bethesda)*

- Most brokers know that legally they have to present the plan to clients along with other plans, but none discuss it much less encourage their clients to consider it. Some brokers claim that they never show their clients the standard plan, even though they know they are supposed to.

> *"Legally, you have to [present the plan]. It comes with the renewal package. You don't have to talk about it or say anything about it." (Baltimore)*
>
> *"The State requires you to offer it to your clients with the company's every renewal. Knowing our clients as well as we do, I'm not showing them that. They want a decent plan." (Bethesda)*

- While brokers know that the CSHBP is the least expensive plan, they say that the cost savings is negligible between the standard plan and plans with much more comprehensive benefits and lower deductibles and copays. Therefore, employers have little incentive to choose the CSHBP.

> *"It's the way it's priced. Unfortunately, those rates [for CSHBP] are no different than [with] two or three upgrades added in. So why even talk about it [to clients]?" (Baltimore)*
>
> *"The cost savings to pare down to a very core, bare bones benefit plan is just not worth it. It's not worth whatever small difference there is. The insurance companies are pricing it in such a way that they are guiding them [employers] into the better plans." (Bethesda)*
>
> *"A good example is the drug card. The drug card on the standard plan is a $250 deductible, $15 generic [copay]. If you change that to a $150 deductible and $15 generic, the cost difference is $2 a month. It's not worth discussing." (Baltimore)*

- In fact, brokers say that the best way to assist them in selling the CSHBP would be to price it reasonably or for the State to pay a portion of the plan. Brokers say it should be priced roughly 50 percent less than the next expensive plan. Unless the cost of the plan is significantly less, employers see no benefit in obtaining it and brokers are unlikely to sell it.

> *"Either the local or State government has to supply the difference to make it more attractive." (Bethesda)*
>
> *"Price the core benefit more reasonably, 50 percent of the next plan up. It has to be financially advantageous." (Bethesda)*

- Although brokers believe that the high cost of prescription drugs is a contributing factor in the increasing costs of premiums, they feel that it would be difficult to sell a plan that does not include prescription drugs. A few thought that a plan which presents a separate option for discounted drugs might be sold to restaurants and companies with young employees, but that other employers would not consider a plan that does not offer prescription drugs, or has a deductible on prescriptions.

> *"It might make sense for a small restaurant, where everybody is young. At least they can get some kind of medical insurance." (Bethesda)*
>
> *"Once you give that plastic [prescription card] to an employee, you can never take it away. They are entitled now to prescription drug benefits, and they don't want to have a $150 or $250 deductible first. If I was a small business owner, my wife would go, 'Are you kidding me?'" (Bethesda)*

- Brokers generally are not aware that there is information about CSHBP on the MHCC's website. Brokers only see information on CSHBP when carriers send it to them at their clients' renewal times. They are not interested in obtaining additional information on the plan and would not want to use the Internet to obtain information on CSHBP.

> *"I didn't even know there might be one [a website for CSHBP]. Is there one?" (Bethesda)*

3.4 How Familiar Are Brokers with the MCHP Premium ESI Program?

- Brokers in Bethesda were asked to read a description of the MCHP Premium ESI Program and to discuss their reactions to it. None of the brokers have heard of this program, although a couple

recalled hearing about the MCHP program, described by them as a plan where the State covers the children of qualified employees directly, and not through the employer.

> *"Haven't heard of it." (Bethesda)*
>
> *"It's in existence now. It has a lot to do with the MCHP program. The part I've never seen is that the State will buy the child into the employer's existing plan." (Bethesda)*

- Brokers were confused about the MCHP Premium ESI Program and how it works. However, some say that they would be willing to mention the program to their clients who may have employees that would qualify for the plan and would like to obtain more information on it. Brokers feel the program needs to be better publicized, but do not think insurance carriers are likely to send them information about it.

> *"Is this saying that if they have a PPO plan, the State would chip in $50 a child? Is it a Medicaid plan?" (Bethesda)*
>
> *"I think it's good for the people who need it and can use it." (Bethesda)*
>
> *"We have very few people on the carrier side to educate us about this. This is the first I have seen [about] this. It's not well publicized." (Bethesda)*

- Brokers believe that the plan would mainly be applicable for employees who are single mothers in lower paying, blue or pink-collar occupations, because of the income restrictions. Therefore, some brokers would not be interested in marketing the program because they do not represent clients with employees who would qualify for the program. Brokers in general feel that if they marketed the program it would have to be on a pro bono basis because they would not be compensated for it.

"Singles pretty much [would qualify]. If you're under $54,000, it's not a dual income family. So single, female. The majority of possession of the children is with the mother." (Bethesda)

"The majority of my clientele [do not have] welfare-type employees. That is not my marketplace." (Bethesda)

"You're doing this as goodwill to your existing client. You're not financially compensated as a broker. It's a lot of work. [It would be] pro bono work." (Bethesda)

4.0 FINDINGS AND CONSIDERATIONS

The findings and considerations are based solely on the results from this focus group study, and the interpretation of those findings by the moderator/project analyst. Since Shugoll Research does not have access to MHCC or DHMH planning documents, these findings and considerations may or may not reflect the views of the MHCC or DHMH.

A. *Types of Companies Not Offering Health Benefits*

1. *Targeting Efforts to Increase Coverage at Small Employers Who Do Not Offer Health Benefits*

Findings: Companies in certain types of industries (i.e., those with high turnover; low wage workers; or businesses that are severely impacted by a weak economy) are more likely than other types not to offer health benefits. In addition, small employers with 10 or fewer employees appear more likely than small employers with 11 or more employees not to offer health benefits. (NOTE: Nationally, approximately 85 percent of all small businesses not offering health insurance have fewer than 10 employees.)

Considerations: The MHCC should review existing quantitative research to validate study hypotheses, profiling the types of small employers who are less likely to provide health benefits. If quantitative research verifies the findings from this qualitative study, and the MHCC can overcome some of the obstacles or barriers to purchasing health benefits that were identified by these target small employers, it can ensure that its employer education program is more cost-effective.

Specifically, the MHCC may want to focus on:

- Small employers with 10 or fewer employees
- Small employers in industries with high employee turnover
- Small employers that are "blue collar"-oriented who have a greater proportion of employees who work a "trade" or are in industries such as retail and hospitality
    - The MHCC may need to work with other State agencies to develop other options for coverage through the individual market.

B. *Reasons for Not Offering Health Benefits*

1. *Affordability of Health Benefits*

Findings: Affordability is a major reason why some small employers do not offer health benefits to their employees. It is also one of the greatest concerns of small employers currently offering a health benefit plan to employees. The high and rising costs of health care benefit plans and the need to control these costs is a major reason why small employers are reducing benefits and, in some cases, resorting to hiring practices based on the age of the applicant or to using non-standard benefit distribution practices.

Considerations: The MHCC, in conjunction with health care analysts, legislators, insurance carriers, professional brokers and representatives from the small business community, should try to identify alternative cost containment strategies that could be implemented by small employers to reduce and/or slow the rising cost of health care benefit plans. Once such alternative strategies are developed, the MHCC should promote them on its website and communicate them to employers, brokers and local business groups/associations that represent industries with a higher proportion of companies not offering health benefits.

Some possible strategies might include:

- Providing guidelines or "best practices" for employer-employee premium sharing arrangements
- Providing guidelines or "best practices" for co-pay and deductible arrangements
- Providing guidelines for employers who choose higher deductible plans to control premium costs and who want to cover those employee deductibles in order to minimize employee complaints about reduced benefits (i.e., increased deductibles)
- Developing a low cost "plan administration" service to overcome small employer concerns about the administrative burden associated with offering a health benefit plan
- Subsidies for low wage firms either through tax credits or through direct subsidization of some portion of the premium

2. ***Lack of Knowledge and Misperceptions***

Findings: Lack of knowledge, misperceptions and negative attitudes toward the insurance industry contribute significantly to small employer reluctance to shop for health benefits. Small employers with 2 to 10 employees not offering health benefits have almost no knowledge about the topic.

Considerations: The MHCC should determine the feasibility of launching an employer education program to educate small employers about health benefits. The education campaign should drive employers and brokers to its website, since small employers use the Internet to gather information on health benefits. Information on the MHCC website and available printed collateral material should be consumer-friendly. Further research is needed to determine the viability of providing marketing materials through the MHCC's website.

The MHCC should ensure that its website and its collateral materials address the following information needs:

- How to shop for group health benefits and identify brokers and carriers
- The different delivery system options available
- The definitions for key terms to facilitate an understanding of the topic
- How to select a group health benefit plan that fits the needs of a company's employees
- Differences between a group health plan and individual policies, and the risks associated with purchasing individual policies
- Requirements to qualify for a group health plan
- The tangible and intangible benefits to employers who offer a health plan (e.g., attracting quality employees, retaining quality employees, reducing absenteeism, increasing productivity, tax relief, and enhancing reputation or image)
- How plan premium rates are determined (i.e., by average age, geography, etc.) and what factors do not affect rates

- How to manage employee expectations and deal with morale problems when benefits must be reduced

- Employer/employee protections afforded by Small Group Market Reform

- How to "advocate" on behalf of employees, or who to contact to get help in resolving employee problems with a carrier

Considerations: Broader distribution of Maryland's CSHBP brochure for small business is needed. Overall, small employers find the brochure informative and believe it would be helpful in their decision-making with regard to health benefits. The MHCC should evaluate the feasibility of mailing the brochure to small employers, possibly along with other State forms, and should make it available through local Chambers of Commerce, other local business associations and brokers, if it is not already doing so. The following revisions should be considered for the next printing of the piece:

- Creating a design that is visually more appealing

- Enlarging the font size to make it easier to read and less intimidating

- Including a glossary of terms (especially definitions for the various types of delivery systems)

C. Motivating Small Employers to Offer Health Benefits

1. *The Role of the Employee*

Finding: When employees demand health benefits, an employer is more likely to offer a health benefits package.

Consideration: In conjunction with its employer education program, it would be beneficial for the MHCC to launch an employee education program so that employees would know:

- To ask about the availability of a health benefits package when interviewing for employment

- About the service delivery options available and how they work

- To diplomatically avoid answering questions about their health status, marital status or age so that they are not discriminated against based on these factors

- Who to contact to resolve problems with their health coverage if their employer cannot or will not advocate for them, if there is no broker to turn to, or if the carrier has not been cooperative

- The pre-tax benefits associated with contributing to the cost of the premium assuming their employer offers this type of program

2. ***The Role of the Professional Broker***

Findings: The professional broker plays an important advisory role in the purchase process and servicing of health benefit plans among those small employers who use one. Unfortunately, brokers are not presenting or promoting Maryland's CSHBP, and strongly believe the plan is not priced appropriately to make it attractive to their clients. Relying on brokers to disseminate information about Small Group Market Reform and the CSHBP has not been a successful strategy in the past.

Considerations: Once the MHCC re-evaluates the benefits in the CSHBP, it should work with brokers to gain their cooperation in presenting and promoting the standard plan to small employers. It is also in the State's best interest to inform brokers about some of its other programs (e.g., MCHP Premium Program), since brokers are a major source of information for small employers. Finally, if possible, the MHCC should work with brokers and carriers to:

- Address their concerns about the high cost of servicing the small employer market since this issue is likely to drive more and more brokers away from presenting health benefit plans to small employers. This, in turn, may have a negative effect on the number of small employers willing to sponsor a health benefit plan.

- Assist them in communicating effective strategies for containing costs associated with providing health benefits in order to eliminate suggestions that may lead to discriminatory hiring practices.

3. ***Reactions to Alternative Delivery System Options***

Findings: Preference for an HMO delivery service option is revealed when a relatively small differential in premium costs between the HMO, PPO and POS delivery system options is evident along with the absence of a deductible for the HMO option. The major factor that is driving a preference for the HMO option is the lack of deductible since employers emphasize that employees balk when deductibles are implemented to reduce premium costs. However, some small employers, particularly some of the larger small employers (i.e., those with 11-50 employees), prefer a non-gatekeeper delivery system option such

as the PPO or would want to offer two or more delivery systems to give employees the opportunity to buy-up for more freedom and/or to reward senior managers.

Consideration: The MHCC needs to continue tracking the number of employer groups in each delivery system. The MHCC should consider presenting a no deductible delivery system option as well as a non-gatekeeper option to meet the needs of small employers. (NOTE: An HMO and an indemnity option are both currently available in the small group market.)

4. ***Cost Sharing Guidelines***

Finding: A majority of small employers in the focus groups are amenable to paying at least 50 percent of an employee's health benefit premium. Many of those who offer benefits currently pay 75 percent to 100 percent of the employee's premium.

Consideration: The MHCC might suggest cost sharing guidelines in its educational materials; for example, a guideline that small employers consider 50 percent as a starting point or a "minimum" for premium cost sharing.

5. ***Benefit Preferences***

Finding: Brokers in the focus groups suggest that the level of benefits provided in the CSHBP is not competitive.

Consideration: While all benefits that were supported as "need to have" have a significant impact on premium, the MHCC might re-evaluate the level of benefits it provides in the CSHBP for services deemed by employers as "nice to have" or unnecessary, such as home health care; chiropractic services; chlamydia screening; and nursing home care.

6. ***Reactions to Alternative Solutions for Reducing the Number of Uninsured***

Findings: There is some willingness on the part of small employers not currently offering a health benefit plan to contribute 5 percent of their payroll tax to a fund. Therefore, the 5 percent "pay or play" plan might be an effective program for reducing the number of uninsured or reducing the debt associated with uncompensated care. Others not willing to pay 5 percent may be motivated to offer an employer sponsored health plan. However, this solution may create perverse incentives for employers to not offer coverage because 5 percent may be substantially lower than what some employers are now paying.

Considerations: Quantitative research is needed to confirm whether or not the 5 percent "pay or play" plan can be implemented successfully with small employers who do not offer health benefits and if such a tax might motivate some smaller employers not currently offering a health plan to consider offering one.

D. Maryland's Comprehensive Standard Health Benefit Plan (CSHBP) and the MCHP Premium and Employer Sponsored Option Buy-In Programs

1. *Awareness of Maryland's Small Group Market Reform, CSHBP and MCHP Premium Programs*

Finding: There is very low awareness of the reforms affecting the Maryland small group market and virtually no awareness of CSHBP or the MCHP Premium Employer Sponsored Insurance Option Employee Buy-In Programs.

Considerations: In order to value the benefits of Maryland's Small Group Market Reform, small employers must be made aware of the protections provided by the legislation, such as guaranteed issue, guaranteed renewal and the prohibition of pre-existing condition limitations. In addition, small employers need to be made aware of CSHBP, MCHP Premium and the MCHP Premium Employer Sponsored Insurance Option Employee Buy-In Programs so they have the opportunity to assess the appropriateness of these programs for their companies and their employees.

In addition, study findings suggest the following:

- That CSHBP pricing be re-evaluated, since brokers do not believe the product is a good value (i.e., products with lower deductibles cost only marginally more than the CSHBP) and, therefore, do not present it to their clients

- The pricing of the CSHBP, relative to the standard plan plus enhancements, should be reviewed to ensure a substantial gap in premium between CSHBP coverage and an enhanced benefit plan

- The MCHP Premium Employer Sponsored Insurance Option Buy-In Program should be re-evaluated, since the target market for the product is so narrow that few employers believe they have any employees who would qualify for it

- The MCHP Premium Employer Sponsored Insurance Option Buy-In Program should be re-evaluated with regard to the cost sharing responsibility of the employer, since relatively few employers seem willing to share the cost of the family premium (Note: Budget legislation enacted

during the 2003 Maryland legislative session has eliminated the MCHP Premium ESI Program effective July 1, 2003.)

2. ***Carrier Competition***

Finding: Small Group Market Reform is perceived to be responsible for the dearth of carriers operating in the State. Small employers and brokers believe that an increase in competition will help lower prices.

Consideration: The MHCC needs to communicate to brokers, employers and policymakers that a lack of competition among insurance carriers in Maryland's small group market is a national problem and is not specifically associated with Maryland's Small Group Market Reform. (NOTE: Between 1995 and 2001, the number of insurers offering small group coverage in Maryland declined from 37 to 14. A recent study conducted for the MHCC notes that the number of competing health insurers and health plans has been decreasing rapidly across the country in the last decade or so, as major competitors merge and some companies disappear entirely. Maryland's experience has been similar to that of other states and in the large and individual markets as well.)

E. Improving Health Care Coverage Among the Uninsured

1. ***Assessment of What the MHCC Can Do to Improve Health Coverage Among Very Small Employers***

Findings: Research results suggest that it is very difficult to motivate the small employer segment with 2 to 10 employees to offer health benefits. There are too many structural and philosophical issues that interact with each other and make it unlikely that this group of employers will offer coverage voluntarily. These issues include high worker turnover in their businesses, employer unwillingness to accept government intrusions, employer lack of knowledge about health insurance issues and employer concern that health benefits would take too much time to administer.

Considerations: The State may be able to design a voluntary program that deals with one specific issue or barrier faced by these very small employers. However, the State will probably never be able to address multiple barriers simultaneously using voluntary incentives in order to increase employer offer rates or employee take-up rates for this group of employers.

Therefore, the State may need to consider government regulation and significant premium support if it wants to see a substantial increase in the number of very small employers offering health benefits.

APPENDIX A:

RESPONDENT PROFILES

SMALL EMPLOYERS

	Total (N=68)	Bethesda (N=14)	Baltimore (N=19)	Frederick (N=13)	Salisbury (N=13)	La Plata (N=9)
INVOLVEMENT IN HEALTH CARE DECISION MAKING						
Sole decision maker for selecting health plans	40	10	7	9	9	5
One of a group of people that makes the final decision	13	2	2	3	3	3
One of a group of people who makes recommendations to the final decision maker	6	2	1	1	1	1
Don't currently offer health plans to employees	9	0	9	0	0	0
NUMBER OF EMPLOYEES						
2 – 10 employees	50	14	10	12	9	5
11 – 50 employees	18	0	9	1	4	4
NUMBER OF YEARS IN BUSINESS						
3 – 5 years	7	2	2	0	1	2
6 –10 years	10	3	1	3	0	3
11-15 years	12	3	2	2	4	1
More than 15 years	39	6	14	8	8	3
NUMBER OF YEARS IN POSITION DECIDING HEALTH PLANS						
Less than 1 year	2	0	0	0	1	1
1 to 3 years	10	1	2	0	4	3
4 to 6 years	10	3	4	1	1	1
Longer than 6 years	46	10	13	12	7	4
EMPLOYEE WAGES*						
Hourly, but not minimum wage	44	7	15	8	9	5
Salaried	32	7	10	6	3	6
Some other type of wage	6	0	4	0	1	1
Minimum wage	5	0	1	2	2	0
Independent	4	0	3	0	1	0

*Multiple responses accepted

	Total (N=68)	Bethesda (N=14)	Baltimore (N=19)	Frederick (N=13)	Salisbury (N=13)	La Plata (N=9)
INDUSTRY						
Service	19	3	9	1	4	2
Retail	12	3	3	2	1	3
Home improvement	5	1	2	0	1	1
Construction	5	1	0	3	1	0
Manufacturing	4	0	2	2	0	0
Restaurant	4	0	1	2	1	0
Wholesale	3	1	0	2	0	0
Printing	3	2	0	1	0	0
Travel	2	0	0	0	2	0
Rental	2	0	0	0	0	2
Real estate	2	0	1	0	0	1
Telecom	2	0	1	0	1	0
Engineering	1	1	0	0	0	0
Farming	1	0	0	0	1	0
Food distribution	1	0	0	0	1	0
Accounting	1	1	0	0	0	0
Property management	1	1	0	0	0	0
TITLE						
President	22	5	7	6	3	1
Owner	17	5	4	1	4	3
Manager	10	1	3	1	1	4
Vice President	5	2	2	1	0	0
Controller	5	0	1	1	3	0
Treasurer	3	0	0	1	2	0
Director	2	0	1	0	0	1
Partner	2	1	0	1	0	0
Bookkeeper	1	0	0	1	0	0
Administrator	1	0	1	0	0	0

	Total (N=68)	Bethesda (N=14)	Baltimore (N=19)	Frederick (N=13)	Salisbury (N=13)	La Plata (N=9)
GENDER						
Male	38	10	11	7	5	5
Female	30	4	8	6	8	4
ETHNICITY						
White, not Hispanic	60	10	18	12	13	7
African American	5	2	1	0	0	2
Asian	2	1	0	1	0	0
Hispanic	1	1	0	0	0	0

	Total (N=34)	Bethesda (N=9)	Baltimore (N=9)	Frederick (N=8)	Salisbury (N=4)	La Plata (N=4)
HEALTH CARE PLAN PROVIDERS (AMONG THOSE OFFERING BENEFITS)*						
CareFirst BlueCross BlueShield	9	0	3	3	1	2
MAMSI Life and Health	7	2	2	3	0	0
CareFirst of MD	4	3	0	0	0	1
Optimum Choice	4	2	1	0	1	0
CareFirst BlueChoice	3	0	1	0	1	1
United Healthcare	3	0	1	2	0	0
Aetna US Health Care	3	1	1	1	0	0
Coventry Health of Delaware	2	0	1	0	1	0
Educators Mutual	1	0	0	1	0	0
Fidelity Insurance Company	1	1	0	0	0	0
Alliance	1	0	0	1	0	0
USE BROKER (AMONG THOSE OFFERING BENEFITS)						
Yes	17	3	4	3	3	4
No	17	6	5	5	1	0

*Multiple responses accepted

	Total (N=34)	Bethesda (N=5)	Baltimore (N=10)	Frederick (N=5)	Salisbury (N=9)	La Plata (N=5)
PROBABILITY OF OFFERING HEALTH CARE INSURANCE (AMONG THOSE NOT OFFERING BENEFITS)						
I will probably not offer health care insurance to my employees	5	0	1	3	0	1
I might offer health care insurance to my employees	20	4	8	2	3	3
I am likely to offer health care insurance to my employees in the future.	9	1	1	0	6	1
EVER USED A BROKER (AMONG THOSE NOT OFFERING BENEFITS)						
Yes	20	3	5	2	6	4
No	14	2	5	3	3	1

HEALTH INSURANCE BROKERS

	Total (N=21)	Bethesda (N=11)	Baltimore (N=10)
SIZE OF COMPANIES TO WHICH HEALTH CARE BENEFITS SOLD*			
10 or fewer full-time employees	21	11	10
11 to 50 full-time employees	20	11	9
More than 50 full-time employees	15	8	7
PERCENTAGE OF HEALTH INSURANCE BOOK OF BUSINESS WITH SMALL EMPLOYEES IN MARYLAND			
30% to 40%	1	1	0
41% to 50%	3	3	0
51% to 60%	2	2	0
61% to 70%	1	1	0
71% to 80%	7	4	3
81% to 90%	5	0	5
100%	2	0	2
NUMBER OF YEARS REPRESENTING HEALTH CARE PLANS			
2 – 5 years	1	0	1
6 –10 years	2	1	1
11 –15 years	6	3	3
More than 15 years	12	7	5
GENDER			
Male	17	9	8
Female	4	2	2

*Multiple responses accepted

	Total (N=21)	Bethesda (N=11)	Baltimore (N=10)
PLANS SOLD/REPRESENTED *			
CareFirst BlueCross BlueShield	21	11	10
Aetna US HealthCare	18	9	9
Kaiser Foundation Health Plan	14	9	5
United HealthCare	11	6	5
CareFirst BlueChoice	10	0	10
CareFirst Preferred Health Network	10	0	10
Coventry Health Care of Delaware	9	3	6
Guardian Life Insurance	7	5	2
Fidelity Insurance Company	6	0	6
MAMSI Life and Health	6	4	2
Cigna Healthcare	2	2	0
Trigon	2	2	0
US HealthCare	1	1	0
WellPoint	1	1	0
Optimum Choice	1	0	1
Prudential	1	0	1
Anthem	1	0	1
John Alden	1	0	1
Golden rule	1	0	1
Health Plus	1	1	0

*Multiple responses accepted

APPENDIX B:

RECRUITMENT SCREENERS

SHUGOLL RESEARCH
7475 Wisconsin Avenue
Suite 200
Bethesda, Maryland 20814
301-656-0301
www.shugollresearch.com

MDH0201
CIRCLE

Bethesda, January 28, 2003
Group A/Insurance w/2-10 employees (6PM) 1
Group B/No insurance w/11-50 employees (8PM) 2
Baltimore, January 29, 2003
Group C/Insurance w/11-50 employees (6PM) 3
Group D/No insurance w/2-10 employees (8PM) 4
Frederick, February 3, 2003
Group E/Insurance w/2-10 employees (6PM) 5
Group F/No insurance w/11-50 employees (8PM) 6
Salisbury, February 5, 2003
Group G/No insurance w/2-10 employees (6PM) 7
Group H/Insurance w/11-50 employees (8PM) 8
LaPlata, February 12, 2003
Group I/No insurance w/2-10 employees (6PM) 9
Group J/Insurance w/11-50 employees (8PM) 10

HEALTH CARE STUDY
SMALL EMPLOYER FOCUS GROUPS – RECRUITMENT SCREENER
(FINAL 1/14/03)

RESPONDENT NAME: _____
TITLE: _____
COMPANY NAME: _____
ADDRESS: _____
CITY: _____ STATE: _____ ZIP: _____
TELEPHONE: _____
DATE RECRUITED: _____ RECRUITED BY: _____
CONFIRMED BY: _____ DATE CONFIRMED: _____

(**RECRUIT MARYLAND COMPANIES ONLY** - INITIAL COMPANY CONTACT – SECRETARY/RECEPTIONIST/SWITCHBOARD)

Hello, this is _____. I'm calling from Shugoll Research, an independent marketing research firm. May I please speak to the person at your work location who is most involved in deciding whether or not health plans are made available to your employees? This is strictly market research. There will be no attempt to sell your company anything. (IF RESPONDENT IS NOT AVAILABLE, GET THEIR NAME AND EXTENSION AND SCHEDULE A CALL BACK)

(WHEN QUALIFIED RESPONDENT IS ON THE PHONE, SAY:)

Hello, my name is _____ and I'm calling from Shugoll Research, an independent marketing research firm. Today, we are conducting a brief survey to identify employer attitudes toward major health care issues. We would greatly value your opinions. This is strictly market research; there will be no attempt to sell you anything. May I ask you a few questions?

1. What is your role in the decision making process for your company when selecting which health plans are made available to your employees? Are you: (READ LIST)

		CIRCLE	
	The sole decision maker for selecting health plans	1	→(CONTINUE)
	One of a group of people that makes the final decision	2	
	One of a group of people who makes recommendations to the final decision maker	3	
OR	Not directly involved	4	→(ASK TO SPEAK TO PERSON DIRECTLY INVOLVED AND BEGIN AGAIN)
(DO NOT READ)	Don't know	5	
(DO NOT READ)	Don't currently offer health plans to employees	6	→(CONTINUE)

2. Are you currently employed full-time or part-time? By full-time I mean you work at least 30 hours per week.

	CIRCLE	
Full-time	1	→(CONTINUE)
Part-time	2	→(ASK TO SPEAK TO DECISION MAKER WHO IS EMPLOYED FULL-TIME. IF NONE, THANK AND TERMINATE)

3. Which of the following describes your company? (READ LIST)

	CIRCLE	
My company makes its own benefit decisions	1	→(CONTINUE)
My company is part of a larger organization that makes benefit decisions on our behalf	2	→(THANK AND TERMINATE)

4a. How many employees in total does your company or organization employ? Please include both part-time and full-time employees at all of your locations. (RECORD NUMBER BELOW)

_____ (TOTAL NUMBER OF EMPLOYEES)

4b. And, of that total number of employees, how many are employed full-time, including remote locations? Please include yourself in this number. Again, we're defining full-time employees as those individuals who work at least 30 hours per week. (RECORD EXACT NUMBER BELOW AND CIRCLE APPROPRIATE CODE BELOW. IF RESPONDENT IS NOT SURE, READ RESPONSES BELOW AND CIRCLE APPROPRIATE RESPONSE)

_____ (NUMBER OF FULL-TIME EMPLOYEES. IF 2 TO 50, RECORD BELOW AND CONTINUE WITH Q.5a. IF OVER 50 OR LESS THAN 2, TERMINATE)

(READ CHOICES IF RESPONDENT WAS UNSURE ABOVE) ←		CIRCLE ONE	
	One	1	→(THANK AND TERMINATE)
	2 – 10	2	→(CONTINUE)
	11 – 50	3	
	Over 50	4	→(THANK AND TERMINATE)

5a. Does your organization or company currently offer health insurance coverage to its employees?

	CIRCLE	
Yes	1	→(PLACE IN GROUP A, C, E, H OR J DEPENDING ON REGION AND SIZE AND SKIP TO Q.6.)
No	2	→(CONTINUE)

5b. Has your organization/company ever offered health insurance coverage to its employees?

	CIRCLE	
Yes	1	→(CONTINUE)
No	2	→(SKIP TO Q.5d)

5c. How long ago did your company offer health insurance? (DO NOT READ)

CIRCLE

Less than 10 years ago	1	→(THANK AND TERMINATE)
10 years ago or longer	2	→(CONTINUE)
Don't know	3	→(THANK AND TERMINATE)

5d. Have you, in the last few years, contacted insurance carriers and/or brokers to obtain information about providing health insurance to your employees?

CIRCLE

Yes	1
No	2

5e. Which one of the following statements comes closet to your view? (READ LIST)

CIRCLE ONE

I definitely will <u>never</u> offer healthcare insurance to my employees	1	→(THANK AND TERMINATE)
I will probably not offer healthcare insurance to my employees	2	→(PLACE IN GROUP B, D, F, G, OR I DEPENDING ON REGION AND SIZE. ATTEMPT TO RECRUIT A MIX. SKIP TO Q.8)
I might offer healthcare insurance to my employees	3	
I am likely to offer healthcare insurance to my employees in the future	4	

6. (REFER TO Q.5a. IF CODE 1/'YES' CIRCLED, ASK Q.6. ALL OTHERS SKIP TO Q.8) Which health plan does your company or organization currentlyoffer? (DO NOT READ LIST. RECORD ANSWER BELOW. RECRUIT A MIX OF HEALTH PLANS)

	CIRCLE	
Aetna US HealthCare	1	
Care First/Blue Cross Blue Shield	2	
CareFirst/Blue Choice	3	
Care First Preferred Health Network	4	
Cigna Healthcare	5	
Coventry Health Care of Delaware	6	
Fidelity Insurance Company	7	
Graphic Arts Benefit Corporation	8	
Guardian Life Insurance	9	
Kaiser Foundation Health Plan	10	
MAMSI Life and Health	11	
MEGA Life and Health	12	
Mid-West National Life Insurance Company of Tennessee	13	
Optimum Choice	14	
Principal Life Insurance Company	15	
United HealthCare	16	
Other (SPECIFY) _____		
Self-insured/company funds and provides own health plan coverage to employees	17	→(THANK AND TERMINATE)

7. Does your company use an external consulting company or broker in making your health care plan decisions?

	CIRCLE	
Yes	1	→(ATTEMPT TO RECRUIT A MIX)
No	2	

(ASK EVERYONE)

8. And, for how long has your company or organization been in business? (DO NOT READ LIST)

	CIRCLE	
Less than 3 years	1	→(THANK AND TERMINATE IF CODE 2 CIRCLED IN Q.5a)
3 – 5 years	2	
6 – 10 years	3	→(ATTEMPT TO RECRUIT A MIX)
11 – 15 years	4	
More than 15 years	5	

9a. Where is your company located?

_____ (RECORD MARYLAND CITY AND COUNTY. RECRUIT A MIX)

9b. What type of industry is your company in?

_____ (RECORD) (RECRUIT A MIX)

10a. Which of the following describes the wages of the majority of your employees? (READ LIST. CIRCLE ALL APPROPRIATE RESPONSES)

		CIRCLE ALL MENTIONS	
	Minimum wage	1	
	Hourly, but not minimum wage	2	
	Salaried	3	
	Independent contractors	4	→(IF ONLY CODE 4 CIRCLED, THANK AND TERMINATE)
OR	Some other type of wage earner	5	

10b. Would you say that most of your employees: (READ LIST)

		CIRCLE	
	Are generally highly compensated employees, that is most receive above average salaries	1	→(THANK AND TERMINATE)
OR	Salaries vary widely depending on the employee's position within the organization	2	→(CONTINUE)

11a. What is your title? (RECORD ANSWER ON LINE BELOW)

_____ (RECORD VERBATIM)

11b. Approximately how long have you been in a position to decide whether or not a health plan is made available to your employees? Has it been: (READ LIST)

	CIRCLE	
Less than 1 year	1	
1 to 3 years	2	→(RECRUIT A MIX)
4 to 6 years	3	
Longer than 6 years	4	

12. Have you or has anyone living in your household ever worked for: (READ LIST)

	CIRCLE ONE NUMBER PER ROW		
	Yes		No
An advertising, public relations or market research firm	1		2
A health insurance company	1	→(THANK AND TERMINATE)	2
Any type of health c are company such as a hospital, doctor's office or urgent care center	1		2

13. To ensure that we have a representative sample, please tell me if you are: (READ LIST)

		CIRCLE	
	Hispanic	1	
	White, not Hispanic	2	
	Black, not Hispanic	3	
	Asian or Pacific Islander	4	→(ATTEMPT TO RECRUIT A MIX)
	Native American or Alaskan Native	5	
OR	Of some other racial or ethnic background	6	
(DO NOT READ)	Refused	7	

14. From your perspective, what issues are facing small employers in terms of providing health care coverage to employees? (RECORD ANSWER VERBATIM. PROBE AND CLARIFY FULLY.)

_____

_____

_____

_____

- ANY SCREENER WITHOUT A VERBATIM ANSWER in Q. 14 DOES NOT QUALIFY
- IF RESPONDENT IS UNABLE OR UNWILLING TO GIVE AN ANSWER, THANK AND TERMINATE
- IF RESPONDENT HAS HEAVY ACCENT OR CANNOT BE CLEARLY UNDERSTOOD, THANK AND TERMINATE
- IF RESPONDENT ONLY GIVES ONE OR TWO WORD ANSWERS AND IS UNWILLING OR UNABLE TO ELABORATE ON MEANING, THANK AND TERMINATE

15a. Have you ever participated in a group discussion for market research purposes?

	CIRCLE	
Yes	1	→(CONTINUE)
No	2	→(SKIP TO INVITATION)
Don't know/can't remember	3	→(CONTINUE)

15b. How long ago was the last market research discussion group you participated in? (DO NOT READ)

	CIRCLE	
Within the past 6 months	1	→(THANK AND TERMINATE)
More than 6 months ago	2	→(CONTINUE)

15c. What was the topic of the study you participated in? (DO NOT READ)

	CIRCLE	
Healthcare coverage/evaluating health plans	1	→(THANK AND TERMINATE)
Other (SPECIFY) _____		

16. Interviewer: RECORD GENDER. DO NOT ASK.

	CIRCLE	
Male	1	→(RECRUIT A MIX)
Female	2	

INVITATION

We are scheduling focus group discussions with professionals like yourself to explore their experiences regarding employee health insurance. The discussion is part of a market research study being conducted with small business employers to identify policy options that could better assist them in offering health insurance to their employees. The discussion is scheduled for _____ at (_____) and will last 2 hours. An honorarium of ($175 Bethesda/$125 Baltimore) will be given to each participant in appreciation of his or her time. Let me assure you this is not a sales meeting. The discussion is strictly for market research purposes. No one will attempt to sell you anything. Are you able to attend the meeting?

	CIRCLE	
Yes	1	→(GIVE DIRECTIONS)
No	2	→(ASK FOR REFERRAL TO OTHER DECISION-MAKER. THEN, THANK AND TERMINATE)

SHUGOLL RESEARCH
7475 Wisconsin Avenue
Suite 200
Bethesda, Maryland 20814

MDH0201

	CIRCLE
Bethesda, January 28 (12PM)	1
Baltimore, January 29 (12PM)	2

HEALTH CARE STUDY – BROKERS SCREENER
(FINAL 1/16/03)

RESPONDENT NAME: _____
COMPANY NAME: _____
ADDRESS: _____
CITY: _____ STATE: _____ ZIP: _____
TELEPHONE: _____
DATE RECRUITED: _____ RECRUITED BY: _____
CONFIRMED BY: _____ DATE CONFIRMED: _____

Hello, this is _____. I'm calling from Shugoll Research, an independent marketing research company. We are conducting a study about issues facing brokers who sell health insurance. We would greatly value your opinions. This is strictly market research, there is absolutely no sales effort involved. May I ask you a few questions?

1. First, are you personally responsible for representing or selling health care plans to area employers?

	CIRCLE	
Yes	1	→(CONTINUE)
No	2	→(THANK AND TERMINATE)

2. Do you currently sell health care benefits to companies with: (READ LIST)

	CIRCLE ONE PER ROW		
	Yes	No	DK
10 or fewer full-time employees	1	2	3
11 to 50 full-time employees	1	2	3
More than 50 full-time employees	1	2	3

↓

(IF ONLY CATEGORY CIRLCED, THANK AND TERMINATE)

3. Do you sell health care benefits to small businesses with 50 or fewer full-time employees that are located in: (READ LIST)

	CIRCLE ONE PER ROW		
	Yes		No
Maryland	1	→(MUST BE CIRLCED TO CONTINUE)	2
The District of Columbia	1		2
Northern Virginia	1		2

4. What percentage of your health insurance book of business is with small businesses **located in Maryland that have 50 or fewer full-time employees**? (RECORD %. MUST BE AT LEAST 30% T CONTINUE)

_____%

5. For how many years have you been representing or selling health care plans to area employers? (DO NO READ LIST)

	CIRCLE	
Less than 2 years	1	→(THANK AND TERMINATE)
2 - 5 years	2	→(RECRUIT A MIX)
6 - 10 years	3	
11 - 15 years	4	
More than 15 years	5	

6. Which health plans does your organization currently represent to small business clients? (DO NOT REA PROBE FULLY)

	CIRCLE	
Aetna US HealthCare	1	
Care First/Blue Cross Blue Shield	2	
CareFirst/Blue Choice	3	
Care First Preferred Health Network	4	
Cigna Healthcare	5	
Coventry Health Care of Delaware	6	
Fidelity Insurance Company	7	
Graphic Arts Benefit Corporation	8	
Guardian Life Insurance	9	
Kaiser Foundation Health Plan	10	
MAMSI Life and Health	11	
MEGA Life and Health	12	
Mid-West National Life Insurance Company of Tennessee	13	
Optimum Choice	14	
Principal Life Insurance Company	15	
United HealthCare	16	
Other (SPECIFY) _____		
Self-insured/company funds and provides own health plan coverage to employees	17	→(THANK AND TERMINATE)

7. Interviewer: RECORD GENDER. DO NOT ASK.

	CIRCLE	
Male	1	→(RECRUIT A MIX)
Female	2	

INVITATION

We are scheduling focus group discussions with professionals like yourself to discuss issues facing brokers who sell health insurance to small businesses and explore ways to make your job easier. The discussion is scheduled for Tuesday, January 28 (Bethesda)/Wednesday, January 29 (Baltimore) at 12 PM (noon) and will last 2 hours. An honorarium of $_____ will be given to each participant in appreciation of his or her time. Let me assure you this is not a sales meeting. The discussion is strictly for market research purposes. Are you available to attend the meeting?

	CIRCLE	
Yes	1	→(GIVE DIRECTIONS)
No	2	→(ASK FOR REFERRAL TO OTHER BROKER, THEN THANK AND TERMINATE)

APPENDIX C:

MODERATOR'S TOPIC GUIDES

MODERATOR'S TOPIC GUIDE - EMPLOYERS
FINAL – JANUARY 28, 2003

PROJECT: MDH0201
DATES: January 28, 29, February 3, 5, 12
LOCATION: Bethesda, Baltimore, Frederick, Salisbury, La Plata
TOPIC: Small Employer Focus Group Project

Introduction

- Who am I
- What I do
- Topic – Health insurance for small businesses in Maryland

Ground Rules

- Audio taping and why
- Talk one at a time
- Articulate loudly enough to be heard
- Avoid side conversations
- Mirror and observers
- Videotaping and why
- Avoid peer pressure
- Be candid
- No right or wrong answers
- Need to hear from everyone
- Gratuity for your time and opinions

Respondent Introductions

Tell us:

- Your name
- Company name and industry
- Title and responsibilities
- Area/counties from which company draws its employees

- Size of company (number of full-time/part-time employees)

- If company currently offers health insurance:

  – How long insurance has been offered

  – If insurance has been offered continuously or offered and dropped as needed

  – Name of insurance carrier

  – Number and type of plans offered

  – Type of plans most employees choose

  – If company offers health insurance to part-time employees

  – The approximate number of employees who take it (Full and/or part-time)

<u>Explore Employer Decisions Regarding the Offering of Health Care Coverage to Employees</u>

- Identify reasons why employers offer health care coverage to employees (Use dot allocation exercise to prioritize reasons)

- Understand reasons why employers do not offer health care coverage to employees (Use dot allocation exercise to prioritize)

  – Probe on economic factors such as too expensive, too unpredictable, cost benefit analysis, would cut into profits, etc.

  – Probe other reasons such as not legally bound, not my problem, compensate them well enough, employees prefer cash wages, administrative hassles, etc.

- Identify the resources/advisors employers who do not offer health care coverage depend on for information pertaining to establishing a business

  – Probe to determine if these resources/advisors mention employee health care insurance

  – Probe to identify the benefits offered employees (i.e., pension plan, etc.)

  – Determine specifically if employers are aware of the tax benefits to them and to their employees pertaining to certain benefits (i.e., tax deductions and pre-tax dollars)

- Identify the benefits of offering health insurance to employees (prioritize in order of importance)

- Identify the obstacles to offering health insurance to employees (prioritize in order of importance)

- Probe to uncover any situations that could alleviate these obstacles and encourage them to consider offering health insurance to employees

- Discuss employer knowledge of reasons employees may not take advantage of company health benefit plans if offered

  - Understand employer perceptions of the degree to which employees take advantage of health coverage (i.e., whether they choose employee only coverage vs. family coverage, etc.)

- Explore the decision making process for choosing a health plan or insurance carrier

  - Identify who within the company is involved in making the decision

  - Determine how plans/carriers are identified

  - Determine the role of a broker or agent in this process

    - Explore specifically if brokers tell them about enhancements (i.e., ways to adjust the premiums, deductibles or co-payments to meet their needs) and, if so, what do they say

  - Identify factors involved in choosing their health care plan/carrier (prioritize in order of importance)

  - Identify important factors involved in choosing what specific plan(s)/carrier(s) to offer to employees

  - Determine if employer got a variety of premium quotes when choosing a plan/carrier (Probe – from different carriers, from the same carrier)

  - Understand decision making regarding level of employer premium sharing and to what extent employers contribute to the premium for their employees

  - Explore what factors employers consider in terms of:

    - Their decisions to retain existing coverage or reduce or eliminate coverage

    - Whether or not to add plans to those currently offered

    - Whether or not to add enhancements to adjust premiums, deductibles or co-payments

  - Test employer reactions to State proposal for employer health insurance requirements (pass out description of proposal and ask respondents to read)

    - Obtain initial reactions to this type of program

    - Identify benefits

    - Identify concerns

Assess Awareness/Knowledge of Small Group Market Reforms

- Obtain top-of-mind awareness and knowledge of the Maryland Small Group Market Reforms and the Comprehensive Standard Health Benefit Plan (CSHBP)

  – Probe knowledge of employer protections: guaranteed issue (carrier must sell if they want it); guaranteed renewal (carrier can't drop them if someone gets sick); no pre-existing condition limitations; standard plan (to help them compare across carriers); no medical underwriting.

  – Probe knowledge of specific benefits covered

  – Probe knowledge of costs of the basic plan (without enhancements) to employers and what's available at different cost levels because of the addition of enhancements

- Determine where employers learn about health insurance coverage and specifically where they have heard/learned about Small Group Market reforms and the CSHBP

  – Probe for websites used (assess awareness and use specifically of the Small Group Market website)

  – Probe for newspapers read, trade journals used, other print media

  – Probe for Chamber or trade association membership and assess the possibility of using these groups as vehicles for information dissemination

  – Assess the best way to convey health coverage messages to employers (probe for direct mail, TV/radio/newspaper ads, Internet, business associations, trade associations, professional forums)

- For those without insurance, determine if agents or brokers or carriers have ever contacted them and describe what they learned about Small Group Market reforms and CSHBP

- If employers use brokers or agents, probe for what information is available from/provided by their broker or agent about health insurance

  – Determine what their broker or agent tells them specifically about CSHBP (especially about the base plan versus enhanced plans)

- Determine interest in purchasing health insurance through a website

  – Probe reasons for interest/no interest

  – Probe reactions to website if it was a state government website or if it was endorsed by MHCC

Identify Aspects of the Ideal Employee Health Care Plan

- Provide respondents with a list of benefit options and their associated costs (to be provided by MHCC)

  - Ask respondents to individually write down which options they would prefer or consider ideal for their business before discussion begins

  - Have respondents choose delivery systems first and then choose <u>one</u> scenario within each delivery system

- Have each respondent discuss reasons for his or her choice of specific benefit options in order to understand how the benefit and cost variables of the ideal plan might interact

  - Discuss the benefits they feel their employees definitely need/must have

  - Discuss other benefits that would be desireable

  - Understand what percentage the employer is willing to pay to offer employee coverage for the ideal plan

  - Determine the benefits they/their employees would be willing to pay more to obtain

  - Determine the benefits they/their employees would be willing to trade off in order to obtain a plan at a lower cost

- Have respondents focus specifically on the contribution of prescription drugs to the percent of premium

  - Probe how necessary the prescription drug benefit really is to their company

  - Determine if they would prefer to see plan costs without prescription drugs assuming they could enhance their plan with prescription drugs if their company absolutely wants to provide this benefit

<u>Obtain Reactions to the MCHP Premium ESI Program</u>

- Determine awareness of the MCHP Premium ESI Program and what employers know about it

  - Probe familiarity with programs such as Maryland Children's Health Program, Medical Assistance, HealthChoice

- Describe the MCHP Premium ESI Program (pass out paragraph description and ask respondents to read)

  - Probe for initial reactions to the program

  - Discuss their perceptions of the extent to which their employee base would qualify

  - Understand reasons for interest in participating or not participating if they have employees who qualify for the program

  - Identify ways to motivate employers to participate in the plan

  - Identify suggested modifications to the plan in order to increase employer interest in it

  - Probe for perceptions of government-sponsored health insurance programs

- Assess employer willingness to:

  - Put up a poster about the ESI program in their workplace in a spot where their employees are likely to notice it (show poster)

  - Distribute brochures and application forms for MCHP to employees in their workplace (show brochure with insert and form)

False Close

- If time permits, test reactions to specific educational/informational materials about CSHBP to determine effectiveness of materials at meeting information needs, clarity of communication, format changes that may be needed, gaps in information provided, visual appeal, ease of comprehension, etc.

Final Comments

MODERATOR'S TOPIC GUIDE (BROKERS)
FINAL – JANUARY 27, 2003

PROJECT: MDH0201
DATE: January 28 and 29, 2003
LOCATION: Bethesda, MD and Baltimore, MD
TOPIC: Health Insurance Brokers

Introduction

- Who am I
- What I do
- Topic – Issues facing brokers who sell health insurance to small employers

Ground Rules

- Audio taping and why
- Talk one at a time
- Articulate loudly enough to be heard
- Avoid side conversations
- Mirror and observers
- Avoid peer pressure
- Be candid
- No right or wrong answers
- Need to hear from everyone
- Gratuity for your time and opinions

Respondent Introductions

Tell us:

- Your name
- Company name
- Percentage book of business that is with Maryland small businesses (50 or fewer full-time employees)
- Number of years representing or selling health care plans to small employers in Maryland

Determine Broker Perceptions of Maryland Small Employer Needs for Health Insurance

- Identify broker knowledge and perceptions of Maryland small employer needs and what they are looking for in a health plan

    - Identify broker perceptions of factors that are most important to Maryland small employers when deciding to offer health insurance

- Determine broker perceptions of which size of Maryland small business is most likely to offer health insurance and which size is less likely to offer health insurance (2 to 10 employees vs. 11 to 50 employees)

    - Determine broker perceptions of what types of Maryland small businesses are most likely to offer health insurance (i.e., professional services, construction, etc.) and what types are less likely to offer health insurance (i.e., retail, cleaning, etc.)

- Identify broker perceptions of problems and concerns that Maryland small employers have with offering health insurance to employees

    - Probe broker perceptions of reasons why some Maryland small businesses do not offer health insurance

- Determine if brokers perceive that changes that have occurred in the last few years in the small business market in Maryland

    - Probe for perceptions of changes regarding small employer needs, small businesses most likely to offer/not to offer insurance (in terms of size/industry), etc.

    - Probe specifically for what may be driving these market changes in the view of brokers

Examine How Brokers Service the Maryland Small Business Market

- Identify the specific types of health care plans brokers represent/sell to small businesses in Maryland (i.e., CareFirst/BlueCross Blue Shield, Kaiser Foundation, Optimum Choice, etc.)

    - Examine the most important/driving factors to brokers in determining whether or not to represent a particular health plan (i.e., commissions/incentives, claims service, educational materials provided, etc.)

- Identify what kind of plan options/delivery systems brokers sell to small businesses in Maryland (PPO, HMO, POS)

    - Understand why brokers offer different plan options/delivery systems and how this may differ by company (Probe for reasons such as need to provide different plan options/delivery systems to different classes of employee within a company, etc.)

- Understand how brokers counter Maryland small employer obstacles/concerns about offering health insurance

- Probe for what brokers do/say to Maryland small employers when the high cost of insurance premiums is an issue (what kind of advice do brokers give regarding cost sharing, premium sharing, copays, etc.)

- Probe for what brokers do/say when Maryland small employers bring up unpredictable rate increases from year to year as a concern including employer fears that if rates go up they may have to stop offering insurance (which would negatively impact employee morale and loyalty)

- Probe how brokers counter concerns related to the administrative procedures that Maryland small employers face in dealing with health plans (such as the time and hassles required to deal with paperwork and employee complaints)

- Probe how brokers counter concerns of some Maryland small businesses that the process of investigating health carriers and the plans themselves is too complicated

- Probe how brokers counter Maryland small business employer skepticism regarding the quality of the plans, that plans may not include the physicians employees use and that the plans may not cover services when employees actually need them

- Probe how brokers counter other concerns such as if employees do not use the plans the company would be paying for nothing, employees do not want to pay extra for health insurance, company may consciously or subconsciously discriminate against older workers when hiring employees (because of age profiles used to determine health insurance rates)

- Identify and explore information given by brokers to Maryland small businesses regarding health plans

    - Determine what type of information brokers provide to small businesses in Maryland regarding the health care insurance plans and options available to them

    - Understand how brokers present this information to Maryland small employers (such as presenting only one or two plans or presenting a variety of plans and options)

    - Determine to what extent brokers present plans in response to specific requests by Maryland small employers vs. presenting plans with little or no input from employers

<u>Assess Awareness/Knowledge of Small Group Market Reforms and CSHBP</u>

- Obtain top-of-mind broker knowledge of the Maryland Small Group Market Reforms and the Comprehensive Standard Health Benefit Plan (CSHBP)

    - Determine how and from what sources brokers obtain information on Small Group Market Reforms and CSHBP (<u>Probe specifically about information obtained from the carriers themselves vs. other sources)</u>

- Probe knowledge of base plan and what it includes

- Identify broker perceptions of/reactions to the CSHBP base plan and what they think about selling it to small employers in Maryland

    - Identify and probe specific problems/obstacles brokers have selling the base plan to Maryland small businesses

- Identify information brokers provide to Maryland small businesses regarding the base plan, benefits covered and costs

- Probe in what form brokers present information about the base plan (presented alone or with other plans, as a base plan or with riders, etc.)

- Determine how they refer to the base plan when discussing it with Maryland small employers

- Identify what information, if any, brokers provide small businesses in Maryland about the Small Group Market Reforms (Probe specifically on employer protections)

    - Probe how they provide this information to employers (i.e., in one-on-one discussions, in a packet of other information, place it on their website, send e-mails, etc.)

- Determine if brokers have heard that small employers in Maryland prefer to offer some benefits over others (i.e., prescription drugs, maternity, etc.)

<u>Determine How Best to Communicate with and Better Assist Brokers</u>

- Identify broker suggestions for ways to better assist them in selling health insurance to Maryland small employers

    - Probe for suggested policy changes that would make their job easier

- Identify broker suggestions for ways that CSHBP could be better marketed/communicated to them and to Maryland small employers

    - Probe for the type of information brokers need about CSHBP to help them sell it to small employers in Maryland

    - Probe for ways this information should be conveyed to brokers (direct mail, Internet, e-mails, professional associations, broker meetings, etc.)

    - Probe for use of the Small Group Market website

- Test broker reactions to specific educational/informational materials about CSHBP to determine effectiveness of materials at meeting information needs, clarity of

communication, format changes that may be needed, gaps in information provided, visual appeal, ease of comprehension, etc.

False Close

- If time permits, determine awareness of the MCHP Premium ESI Program and what brokers know about it
    - Pass out paragraph description and probe for initial reactions
    - Determine if brokers would market this program and identify reasons why or why not

Final Comments